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ABSTRACT

This report provides comments from the General Accounting Office (GAO) on recommendations contained in the National Performance Review's (NPR) September 7, 1993, report which addressed ways to make the government work better and cost less. Generally, the GAO agrees with most of the NPR's recommendations and believes that successful implementation of those recommendations can make important contributions. The GAO suggests that administration must forge a strong, coordinated partnership with Congress to develop these strategies. Priorities to enhance agencies' management capacities are needed so that they can assume additional authority and responsibility contemplated by the NPR and be held accountable for programmatic outcomes. A key to improved accountability is strengthened financial management, including audited financial statements. Moreover, the fundamental management changes that are needed require the active and sustained attention of the top political and career leadership in the agencies. The report discusses NPR recommendations for each of 27 government agencies and 14 government systems, categorizing the recommendations into: (1) those agreed with; (2) those generally agreed with; (3) recommendations that are disagreed with; and (4) those recommendations that lack sufficient information on which to make value judgments. Major management and programmatic areas of concern that were not addressed in the NPR report are also identified. (GLR)

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United States General Accounting Office

GAO

Report to Congressional Requesters

December 1993

MANAGEMENT REFORM

GAO's Comments on the National Performance Review's Recommendations

ED 368 273

HE027 289

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-255769

December 3, 1993

The Honorable John Conyers, Jr., Chairman
The Honorable William F. Clinger, Jr., Ranking
Minority Member
Committee on Government Operations
House of Representatives

The Honorable John Glenn, Chairman
The Honorable William V. Roth, Jr., Ranking
Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable William L. (Bill) Clay
Chairman, Committee on Post Office and Civil Service
House of Representatives

The Honorable John R. Kasich
Ranking Minority Member
Committee on the Budget
House of Representatives

This report responds to your requests that we comment on the recommendations contained in the National Performance Review's (NPR) September 7, 1993, report.[1] The NPR, under the direction of the Vice President, was a major management reform initiative by the administration and was intended to identify ways to make the government work better and cost less. The NPR report's recommendations were organized by four key principles: "cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics." The NPR report contained 384 major recommendations covering 27 federal agencies and 14 government systems, such as procurement and budgeting.

This report provides our initial comments on the NPR report's recommendations on the basis of our work, and is the first part of a planned long-term body of work on the NPR. In subsequent work, we will monitor the degree to which the NPR's recommendations have been implemented and evaluate the extent to which the recommendations

[1]From Red Tape to Results: Creating a Government That Works Better and Costs Less, report of the National Performance Review, Vice President Al Gore, September 7, 1993.

effectively address the management and programmatic problems the NPR identified.

Results in Brief

The NPR report emphasized many of the basic themes that we have stressed for years, including the need to strengthen management within agencies and to focus management and accountability on the results of programs. Accordingly, we generally agree with most of the NPR report's recommendations and believe that successful implementation of those recommendations can make an important contribution in addressing the federal government's management and programmatic problems.

The ultimate success of the NPR, however, will depend upon the detailed strategies and specific actions developed to implement its recommendations. The administration must forge a strong, coordinated partnership with Congress to develop these strategies. As part of that partnership, priority attention must be given to improving agencies' management capacities so that they can assume additional authority and responsibility contemplated by the NPR and be held accountable for programmatic outcomes. A key to improved accountability is strengthened financial management, including audited financial statements. Moreover, the fundamental management changes that are needed require the active and sustained attention of the top political and career leadership in the agencies.

Despite its wide scope, the NPR report contained some recommendations that were too general for us to comment. The NPR report also was silent on a number of critical management and program issues confronting the federal government that our work has shown need prompt attention. These additional areas of concern are detailed in the individual sections accompanying this letter.

Executive Branch and Congress Must Work in Partnership to Address Management Issues

The administration must work closely with Congress to develop a coordinated long-term strategy for implementing the NPR's recommendations and improving management in the federal agencies. Congress has a key role through its legislative and oversight capacities in establishing, monitoring, and maintaining both governmentwide and agency specific management reform initiatives. Legislative action will be necessary in many cases to implement the NPR's recommendations. For example, Congress is considering legislation that would implement various initiatives to reform the federal procurement system, including some of

those identified by the NPR. Congress also is considering legislation to allow "early out" payments to help agencies downsize.

In addition to legislative action, Congress also must have input into the administration's strategies to implement the NPR's recommendations. This executive-congressional partnership is essential to achieve the broad institutional consensus necessary to make some of the more contentious and difficult changes recommended by the NPR report, such as consolidating agencies' field operations.

Congress, in its oversight capacity, can help ensure a long-term focus on sustaining management reform initiatives throughout government. The recently enacted Government Performance and Results Act of 1993 (GPRA) requires agencies over time to develop strategic plans, identify outcome goals, and measure and report on progress toward achieving those goals. GPRA should, if successfully implemented, provide Congress with the program results information it needs to assess the degree to which agencies are meeting their missions. It also should highlight the adjustments that need to be made to improve agencies' effectiveness.

Agencies Need Enhanced Capacities to Be Effective

Underlying many of the NPR report's recommendations is the assumption that agencies have the processes, systems, and qualified staff in place to accept the increased authority and responsibility that come with the deregulation and decentralization contemplated by the NPR. However, our management reviews of 23 large federal agencies and departments done over the last decade consistently have shown that many agencies lack the fundamental underpinnings that will be needed to implement the NPR report's recommendations. These agencies had not created a strategic vision of their futures, lacked good systems to collect and use financial and program information to gauge operational success and accountability, and did not have the people with the necessary skills to accomplish their missions.

For example, the federal government spends over $25 billion annually on information technology. However, our work has shown that agency after agency lacked critical information needed to demonstrate measurable results, analyze programmatic issues, manage agency resources, and control expenditures. Unfortunately, many agencies do not analyze current processes to learn where they are breaking down and how technology can be used to restructure those processes to achieve

fundamental, long-term improvements in business practices and service to the public.

Concerted attention to agencies' capacities is essential to the long-term success of the NPR's recommendations. Top management in each agency must have the systems, processes, and people in place to provide a constant flow of information on the degree to which the agency is effectively carrying out its responsibilities and meeting its mission. This information will allow agencies to act upon management problems before they become full blown crises and thereby minimize the understandable tendency to enact additional systemwide controls in response to a specific or episodic—but nevertheless major—crisis.

The NPR recommendations show an appreciation for some of these issues. For example, consistent with our position, the NPR recommended effectively implementing the GPRA and using the Chief Financial Officers (CFO) Act to improve financial services. Taken together, these acts establish a framework for making management in the federal government more results oriented and providing decisionmakers at all levels with the information they need. We also endorse the concept behind the NPR's recommendation to fully integrate budget, financial, and program information.

Other NPR recommendations, unless carefully implemented, may make capacity building efforts difficult to sustain. For example, thoughful planning is needed to implement the NPR's recommendations that would reduce the federal workforce by about 252,000. Across-the-board reductions that do not recognize the differing capabilities of agencies to absorb such cuts could significantly exacerbate existing gaps in agencies' abilities to meet their missions. As the overall level of federal employment is reduced, downsizing efforts need to allow for adding high quality staff to those agencies where shortages of properly skilled staff are hampering their effectiveness.

Congress and the administration need to work together to ensure that federal downsizing efforts are part of a coordinated strategy that does not leave the agencies incapable of achieving their missions. The NPR report's recommendation that the President use multiyear performance agreements with agency heads to guide downsizing efforts provides a mechanism to help ensure that such efforts are properly planned.

Sustained Attention From Top Leadership Is Critical to Systemic Change

The NPR, in its recommendations on quality leadership and management, recognized the critical role that top management has in creating and guiding long-term management improvement efforts. Our federal management reviews and reviews of companies that have changed their organizational cultures and management systems have shown that making fundamental improvements takes years. Such improvements also require the consistent support of the top political and career leadership of the organization.[2]

Time and again, solutions have not been fully implemented to address management problems, in part because top leadership lacked a strong and clear commitment to change and, as a consequence, failed to create an environment in which continuous improvement becomes a way of life for the organization. Creating such an environment entails setting a clear and constant vision of where the organization is going, communicating that vision throughout the organization, and teaching people what their role is in accomplishing that vision.

Political appointees and top career officials need to work together to create an environment that fosters continuous improvement in agencies' operations. Top career officials in the agencies must assume a leadership role because the fundamental changes needed will require sustaining improvement efforts well beyond the tenure of current political appointees.

Several efforts that are under way should help to provide a top level commitment to change and create an environment within the agencies that encourages continuous improvement. For example, the President has begun to develop performance agreements with agency heads that concentrate on the agencies' desired outcomes; this is one very positive step. By focusing on outcomes, such agreements can help agencies focus efforts on achieving programmatic goals and objectives. As a next step, senior executive performance agreements that are directed toward program results need to be developed to help ensure that a consistent program and management agenda is implemented throughout the agencies.

[2]See, for example, Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993); Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990); and Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

As a second positive step, cabinet departments were directed as part of the NPR to form "reinvention" teams to lead cultural change and management improvement efforts in the agencies. They also were to designate "reinvention labs"—programs to receive relief from internal regulations as an experiment to see how to become more results oriented.

Congress has key roles in all of these efforts. First, Congress has a central role as part of the process to build consensus on what is expected from agencies and their programs and reviewing the degree to which agencies achieve expectations. Second, congressional support and oversight of agencies' management improvement efforts and consideration of the potential for governmentwide application of successful practices in individual agencies is essential.

Objectives, Scope, and Methodology

This initial examination of the NPR report's recommendations had two objectives. Our first objective was to review the NPR report's recommendations. On the basis of our work, we placed each NPR recommendation in one of four categories:

(1) We agree with the NPR recommendation.

(2) We generally agree with the NPR recommendation.

(3) We disagree with the NPR recommendation.

(4) We have insufficient information on which to judge the merits of the NPR recommendation either because we have not done work in the specific area addressed by the recommendation or the recommendation was too vague for us to comment.

We did not review the NPR's estimated savings from implementing its recommendations. The Congressional Budget Office already has analyzed some of the NPR report's recommendations from that perspective.

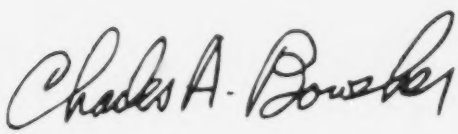
Our second objective was to identify major management and programmatic areas of concern that were not addressed in the NPR report. We understand that the NPR report's recommendations will be supplemented by a series of detailed monographs, so some of these areas may be addressed in the subsequent NPR monographs.

Agency Comments

Since this report is primarily based on our issued reports and testimonies, we did not obtain comments from the Office of the Vice President and federal agencies. We did, however, discuss this report's contents with senior NPR officials. In many cases, comments from agencies and our evaluations of those comments are contained in the reports cited in the sections dealing with those agencies.

We are sending copies of this report to other congressional committees; the Vice President; and the Director, Office of Management and Budget. Copies will be made available to other interested parties upon request.

If you have any questions about the issues discussed in this report, please contact the appropriate GAO official listed in the sections accompanying this letter.



Charles A. Bowsher
Comptroller General
of the United States

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Agency for International Development (AID)

Overall Summary

As discussed in our December 1992 transition series report on Foreign Economic Assistance Issues and our June 1993 general management review of AID, the Agency for International Development has not had a clearly articulated strategic mission and has entered the 1990s unprepared to meet the management challenges before it. There has been a lack of consensus among key internal and external groups on the goals and priorities of the foreign aid program, and as a result, AID's program expanded in several different directions at once. Overall, NPR's recommendations for AID are in line with the thrust of the improvement actions included in our reports and testimonies over the last several years. However, forging a workable consensus on the future of U.S. foreign aid will require the active participation of top level executive branch officials and Congress. In the past, AID has shown little leadership in attempting to resolve its problems; however, this has begun to change.

In response to criticisms by GAO and others, AID began in mid-1992 to develop a management improvement plan that calls for specific management reforms and sets target dates for their implementation. However, many of AID's actions are still being planned, and AID has not completed integrating these activities into a strategic management process that encompasses all activities of the agency.

GAO Contact

Harold J. Johnson, Director, International Affairs Issues, National Security and International Affairs Division, (202) 512-4128.

Recommendations With Which GAO Agrees

AID01: Redefine and Focus AID's Mission and Priorities
With the end of the Cold War, AID must rethink how it will operate. NPR recommends steps to plan for this new mission and proposes new authorizing legislation to define its post-Cold War mission and priorities.

GAO Comments
GAO strongly agrees that the U.S. government needs to develop a coherent foreign aid policy that redefines our national interests and balances objectives with available resources, and we have recommended that foreign aid reform begin with the articulation of a clear strategic direction for AID. We have noted that over the 30 years since its enactment, the Foreign Assistance Act of 1961 has been frequently amended, but neither the foreign assistance goals and objectives nor the approaches used for providing this assistance have been fully reexamined.

AID03: Overhaul the AID Personnel System
Recommendations include changes in AID's personnel system to integrate its multiple systems and review benefits.

GAO Comments
GAO strongly agrees that AID lacks adequate work force planning and management systems and has reported that AID has not restructured its work force to meet the agency's evolution from a hands-on implementor to supervising the work of others to carry out its programs.

Recommendations With Which GAO Generally Agrees

AID02: Reduce Funding, Spending, and Reporting Micromanagement
Eliminate AID's outdated or unduly burdensome reporting requirements and reduce legislative earmarks to provide greater operating flexibility.

GAO Comments
We have reported on AID's extensive reporting requirements and have recommended the elimination of one such requirement. We have also reported on the often divergent views held by the legislative and executive branches on the degree of flexibility and autonomy AID should have in pursuing specific goals and objectives. While we have not addressed the issue of eliminating legislative earmarks, we have recommended that AID could increase confidence in its management by establishing a strategic management system including accountability and monitoring provisions. We have also reported that Congress and AID have worked together effectively when in agreement on a goal, such as the Development Fund for Africa created in 1987 to provide a stable source of funding for Africa.

AID04: Manage AID Employees and Consultants as a Unified Work Force
Lift some current personnel restrictions and give managers authority to manage staff resources more efficiently and effectively.

GAO Comments
We have reported on the increasing number of AID programs and projects being implemented through outside parties, such as personal services contractors, who often perform the same or similar duties as direct-hire employees. While we have not addressed the issue of lifting personnel restrictions, we have recommended that AID develop a comprehensive

work force planning system to recruit, train, and assign both direct- and nondirect-hire staff.

AID07: Consolidate or Close AID Overseas Missions
AID should regionalize missions and staff services overseas and close nonessential missions. It should establish "graduation" criteria for countries receiving U.S. assistance.

GAO Comments
We strongly agree that AID resources are spread among too many countries to be effective, with programs at some missions so diffuse that they have had little impact, and we have noted that some recipient countries may soon be candidates for "graduation." However, we have not addressed the issue of regional missions nor identified specific missions for closure.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

AID05: Establish an AID Innovation Capital Fund
Create a capital investment fund to improve information and financial management systems and customer service.

GAO Comments
We agree that improvements are needed in AID's information and financial management systems, but we have not specifically studied the merits of an innovation capital fund.

AID06: Reengineer Management of AID Projects and Programs
AID should use pilot programs and new approaches to emphasize flexibility, innovation, customer service, and program results.

GAO Comments
We agree that missions have not been held accountable for program results, but we cannot assess this NPR recommendation based on the information provided.

Additional Areas of GAO Concern

None.

Related GAO Products

Foreign Economic Assistance Issues (GAO/OCG-93-25TR, Dec. 1992) relates to the overall summary.

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993) relates to AID01, AID02, AID03, AID04, AID06, and AID07.

Foreign Assistance: Reforming the Economic AID Program (GAO/T-NSIAD-93-20, July 26, 1993) relates to AID01 and AID03.

Foreign Economic Assistance Issues (GAO/OCG-93-25TR, Dec. 1992) relates to AID01.

Foreign Assistance: Accuracy of AID Statistics on Dollars Flowing Back to the U.S. Economy Is Doubtful (GAO/NSIAD-93-196, Aug. 3, 1993) relates to AID02.

AID Management: Strategic Management Can Help AID Face Current and Future Challenges (GAO/NSIAD-92-100, Mar. 6, 1992) relates to AID02.

Foreign Assistance: Progress in Implementing the Development Fund for Africa (GAO/NSIAD-91-127, Apr. 16, 1991) relates to AID02.

Foreign Assistance: Management Problems Persist at the Agency for International Development (GAO/T-NSIAD-92-31, May 1, 1992) relates to AID03, AID04, AID05, and AID06.

Foreign Assistance: AID's Use of Personal Services Contracts Overseas (GAO/NSIAD-91-237, Sept. 13, 1991) relates to AID04.

Financial Management: Inadequate Accounting and System Project Controls at AID (GAO/AFMD-93-19, May 24, 1993) relates to AID05.

Information Resources Management: Initial Steps Taken But More Improvements Needed in AID's IRM Program (GAO/IMTEC-92-64, Sept. 29, 1992) relates to AID05.

Department of Agriculture (USDA)

Overall Summary

By highlighting the U.S. Department of Agriculture, NPR has made a substantive and appropriate choice to focus on opportunities for reinventing government. In recommending a reorganization and streamlining of USDA, NPR took significant steps to identify management problems in food and agriculture. Having made such recommendations in our series of management reviews of USDA, we agree with NPR on the need to restructure and streamline USDA. Since the NPR report was issued, the administration has recommended a single farm agency and a single food inspection agency. We support these consolidations. Such actions could lead to greater efficiency, effectiveness, and cost savings. But the fundamental problem remains: how to revitalize USDA so that it is efficient and effective into the 21st century. To achieve this goal, Congress and the administration need to develop a consensus on USDA's missions. A critical part of USDA's ongoing efforts to restructure itself must include a comprehensive reassessment of the Department's mission.

NPR also made some recommendations concerning commodities by recommending an end to honey and wool and mohair subsidies. Programs like these subsidies, which are outdated and in which a few participants receive most of the payments, are understandable targets for elimination or phasing out. However, there are other farm income or price support programs—including those for dairy products, peanuts, and sugar—that could also be reviewed for possible elimination, phasing out, or change over several years. These programs could be reassessed to determine whether (1) they are meeting their program goals, (2) the programs and goals are appropriate in today's global marketplace, and (3) the programs are addressing farmers' needs. While our work has generally called for changes in these programs on the basis of our analyses of these questions, we recognize that some of these questions and their answers are policy judgments that Congress will have to address. Program change resulting from a fresh look at these farm subsidies could bring substantial dollar savings.

There are, however, other opportunities for reinventing USDA and reassessing its mission through reforms in two areas: the Farmers Home Administration (FmHA) farm loan program and crop insurance and disaster assistance. Reversing the expansion of—and farmers' dependency on—these programs should be a priority. For example, eliminating FmHA's farm loan continuation policy could provide opportunities to redirect funds to other rural development enterprises. This policy enables borrowers who are delinquent in their outstanding obligations to incur further obligations. In addition, including the disaster assistance program

in the federal budget should be considered as a technique for fully integrating the disaster assistance and crop insurance programs. This approach would result in substantial savings. We believe that fundamental reforms in these programs are needed, including redefining the role of the federal government as a lender and insurance provider for farmers. New government management in these areas could also improve risk management, reduce administrative costs, and improve equity to all farmers while saving taxpayers and consumers billions of dollars.

GAO Contact

John W. Harman, Director, Food and Agriculture Issues, Resources, Community, and Economic Development Division, (202) 512-5138.

Recommendations With Which GAO Agrees

USDA01: End the Wool and Mohair Subsidy
The subsidy is no longer needed since wool is no longer a strategic commodity.

GAO Comments
Congress has acted to phase out the wool and mohair subsidy over a 2-year period. This action is expected to save taxpayers $190 million a year. In our work, we have supported ending the wool and mohair subsidy because of (1) high program costs, (2) federal budget constraints, (3) the fact that a small number of beneficiaries were receiving the bulk of the payments, and (4) the fact that wool has not been considered a strategic material since 1960.

USDA02: Eliminate Federal Support for Honey
Eliminate the honey subsidy because the program does not serve the intended purpose of ensuring the availability of honeybees for crop pollination.

GAO Comments
Congress has taken action to ban all payments and loans to honey producers for 1 year. This action is projected to save about $12 million in 1994. However, the program has not been terminated. We support eliminating the honey subsidy. In 1985, we reported that the program—originally justified as ensuring an adequate supply of honeybees for crop pollination—was unnecessary to ensure pollination. We also found that only 1 percent of the nation's beekeepers participated in the program. We recommended that the program be phased out by reducing the price-support level over time to minimize the impact on the industry.

USDA03: Reorganize the Department of Agriculture to Better Accomplish Its Mission, Streamline Its Field Structure and Improve Service to Its Customers

USDA should streamline its field operations to eliminate unnecessary offices, reduce costs, and better serve farmers.

GAO Comments

We support the recommendation to reorganize USDA. In a series of reports on the organizational structure and management systems of USDA, we identified structural problems that, if addressed, could lead to greater efficiency, effectiveness, and cost savings. USDA is actively pursuing initiatives to restructure and streamline the Department. In September 1993, the Secretary announced a plan to restructure USDA around 6 key missions and reduce the number of agencies from 43 to 30. This restructuring includes consolidating three farm agencies into a single Farm Service Agency. The Secretary plans to streamline the existing USDA field structure by eliminating at least 1,200 field offices. The administration estimates that streamlining and restructuring USDA's headquarters and field structure could save about $2.3 billion over the next 5 years.

USDA06: Encourage Better Food Package Management Practices and Facilitate Multi-State Contracts for Infant Food and Formula Cost Containment in the WIC Program

The recommendation encourages increased competition among infant formula vendors and manufacturers of other items in USDA's Special Supplemental Food Program for Women, Infants and Children (WIC). Savings accrue to the program.

GAO Comments

We support the use by states of competitive contracts for the acquisition of WIC infant formula. Although we have not reviewed the potential benefits of multistate contracting, we have found that competitive bid contracting by individual states generally results in program savings and a potential increase in the number of recipients served.

Recommendations With Which GAO Generally Agrees

USDA04: Implement a Consolidated Farm Management Plan

The farm management plan proposed by Secretary Espy provides an opportunity to simplify regulations for farm management and is a good way to consolidate competing requirements into a single plan for each farm.

GAO Comments
Although we have not recommended a consolidated farm management plan, we agree that the concept provides an excellent opportunity to simplify regulations and help make government regulations "farmer friendly." This recommendation also complements NPR's recommendation to reorganize USDA, streamline its field structure, and improve service to its customers.

USDA05: Administer the Employment and Training Requirements for Food Stamp Recipients More Effectively and Efficiently
Redirect funds from an ineffective training program for food stamp recipients and allow them to participate in programs with proven results.

GAO Comments
Although we have not done work on this issue, in our view it makes good sense to redirect funds from ineffective programs to programs that have proven results. That is simply good public policy.

USDA07: Deliver Food Stamp Benefits Via Electronic Benefits Transfer to Improve Service to Customers While Remaining Cost Effective
Use electronic technology to distribute food stamp benefits, thereby improving service and reducing the need for current paper stamps.

GAO Comments
Although we have not done work on the specific issue of delivering food stamp benefits via electronic technology, we concur that this technology has the potential to improve service and to reduce the paperwork burden. However, other alternatives to the current coupon-based system are being considered.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

We are concerned about several fundamental issues that NPR did not address. One such issue involves phasing out or changing certain farm subsidies. The NPR report highlights two farm subsidies—those to honey and wool and mohair producers—for elimination. Congress has eliminated funding for the honey program for 1 year and is phasing out the wool and mohair program over 2 years. There are, however, several other commodity programs that could be considered for elimination, phasing out, or change. For example, subsidies remain intact for dairy products, peanuts, sugar, and grains. These other subsidies could be reassessed as possible candidates for change or phasing out over a multiyear period. Are they meeting their program goals? Are these programs and goals appropriate in today's global marketplace? Are the programs addressing farmers' needs? We recognize that some of these questions and their answers are policy judgments that Congress will have to address. Program change that results from a reassessment of these farm subsidies could lead to substantial dollar savings. This idea could be viewed as an extension of the 1985 and 1990 farm bills, which contained provisions to make some commodity programs more market-oriented.

Another area of concern involves integrating disaster assistance and crop insurance programs. The disaster assistance and crop insurance programs should be considered together as risk-reduction alternatives subject to the same budget decision-making process. One way to do this is to bring the ad hoc disaster assistance program within the domestic spending caps; that is, to include it in the federal budget. A recent House proposal to integrate the crop insurance and disaster assistance programs and avoid duplication was rejected because savings from projected ad hoc disaster assistance programs could not be considered. Integration of the disaster and insurance programs could improve risk management, reduce administrative costs, improve equity to all farmers, and encourage complementary public-private risk enterprises. We estimate savings of hundreds of millions of dollars yearly from integrating the ad hoc payments and crop insurance. These savings could result from the elimination of duplicate crop insurance payments, more realistic yields, and the potential reduction in administrative costs.

A third concern is the lack of centralized servicing for FmHA single-family housing loans. FmHA currently services its single-family housing loans through a decentralized network of hundreds of county offices throughout the country. A study contracted by FmHA has concluded that the government can save about $100 million in operating costs annually by moving to centralized mortgage servicing. Also, a private firm that has centrally serviced a portion of the FmHA single-family housing portfolio is experiencing appreciably lower delinquency rates than FmHA. FmHA estimates that lower delinquency rates would save millions of dollars by reducing loan losses. The private firm credits its increased efficiency to its highly developed computer system, its escrow capability, and the specialized skills of its staff. In addition to potential savings of more than $100 million, centralized servicing of FmHA's single-family housing loans would also be an example of true reinvention of government because it would fundamentally change the way the government does business.

We also believe the farm credit program's exposure to risk should be reduced. FmHA's farm loan programs are intended to provide temporary credit for farmers who are unable to obtain funds elsewhere. However, reflecting Congress' and FmHA's goal of keeping farmers in farming, policies often show little regard for cost and are frequently inconsistent with the prudent management that would protect taxpayers' interests. FmHA has evolved into a continuous source of subsidized credit for nearly half of the agency's borrowers. In recent years, FmHA reduced or forgave delinquent debt totaling about $7.6 billion. As repeated loan servicing has increased the debt and reduced the equity of FmHA borrowers, some borrowers have actually seen their financial condition worsen. For example, under a congressionally directed policy, borrowers can obtain new FmHA direct loans for operating expenses without demonstrating the ability to pay their existing debt. This continuation policy enables borrowers who are delinquent on their outstanding obligations to incur further obligations. From fiscal year 1988 through the first three quarters of fiscal year 1992, FmHA lent about $107 million to delinquent borrowers. FmHA first established this policy in 1982 to assist financially stressed borrowers during a slump in the agricultural economy. It rescinded the policy in 1985 following disclosure that many unsound loans were being made. However, in 1987 Congress directed FmHA to reinstate the policy to prevent farmers from failing. FmHA officials said, and our work confirmed, that this policy makes it difficult for them to act in a fiscally prudent manner. Rethinking FmHA's mission and activities in this area could improve risk management, reduce transaction costs, and improve equity to all farmers while saving the taxpayers billions of dollars.

Finally, we believe that benefits provided under the farm bill should be based on changes in forecast prices. Seasonal average prices should be reestimated every 2 years and farm bill benefits adjusted accordingly. Currently, Congress uses USDA's 5-year forecasts to establish the benefits in each farm bill. The benefits are not subsequently adjusted on the basis of forecast estimation error, as they are in other entitlement programs. As a result, and because USDA's 5-year forecasts tend to be optimistic, USDA consistently spends more than it estimates. If the level of forecast errors typical during the 1980s continues into the 1990s, the costs for commodity programs in the 1990 Farm Bill would increase from the forecast $47 billion to $67 billion.

Related GAO Products

Wool and Mohair Program: Need for Program Still in Question (GAO/RCED-90-51, Mar. 6, 1990) relates to USDA01.

Federal Price Support for Honey Should Be Phased Out (GAO/RCED-85-107, Aug. 19, 1985) relates to USDA02.

U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies (GAO/RCED-91-168, Sept. 3, 1991) relates to USDA03.

U.S. Department of Agriculture: Farm Agencies' Field Structure Needs Major Overhaul (GAO/RCED-91-9, Jan. 29, 1991) relates to USDA03.

Supplemental Food Program: Savings From Food Purchases Could Increase WIC Participation (GAO/RCED-88-183BR, July 25, 1988) relates to USDA06.

Supplemental Food Program: Using Cost Saving Methods Could Increase Participation (GAO/RCED-88-35BR, Oct. 9, 1987) relates to USDA06.

U.S. Department of Agriculture: Centralized Servicing for FmHA Single-Family Housing Loans (GAO/RCED-93-231BR, Sept. 23, 1993) relates to additional areas of GAO concern.

Sugar Program: Changing Domestic and International Conditions Require Program Changes (GAO/RCED-93-84, Apr. 16, 1993) relates to additional areas of GAO concern.

Peanut Program: Changes Are Needed to Make the Program Responsive to Market Forces (GAO/RCED-93-18, Feb. 8, 1993) relates to additional areas of GAO concern.

Farmers Home Administration: Billions of Dollars in Farm Loans Are at Risk (GAO/RCED-92-86, Apr. 3, 1992) relates to additional areas of GAO concern.

Agriculture Payments: Effectiveness of Efforts to Reduce Farm Payments Has Been Limited (GAO/RCED-92-2, Dec. 5, 1991) relates to additional areas of GAO concern.

USDA Commodity Forecasts: Inaccuracies Found May Lead to Underestimates of Budget Outlays (GAO/PEMD-91-24, Aug. 13, 1991) relates to additional areas of GAO concern.

U.S. Department of Agriculture: Strategic Marketing Needed to Lead Agribusiness in International Trade (GAO/RCED-91-22, Jan. 22, 1991) relates to additional areas of GAO concern.

Federal Dairy Programs: Insights Into Their Past Provide Perspectives on Their Future (GAO/RCED-90-88, Feb. 28, 1990) relates to additional areas of GAO concern.

Department of Commerce (DOC)

Overall Summary

Our December 1992 transition series report on Commerce Issues discussed matters the Commerce Department needs to focus on to meet such diverse missions as fostering technology, stimulating and regulating international trade, promoting commerce, analyzing social and economic activity, and studying the environment and natural resources. Our work over the past several years has focused on key Commerce programs that cut across core national issues, including trade, technology, competitiveness, industry, environment, and economic activity.

Overall, NPR comments about Commerce are in line with the focus and direction of reforms we have advocated. We strongly support the thrust of its recommendations, which foster such core principles as better coordination across government in shared program responsibility, improved customer service through technology advancement, and enhanced efficiency and effectiveness in operations.

GAO Contact

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

Recommendations With Which GAO Agrees

DOC01: Reinvent Federal Economic and Regional Development Efforts

Improve coordination of federal economic development efforts with the goals of eliminating duplication and better directing federal resources to improve business conditions.

GAO Comments

This recommendation is an underlying theme of several of our reports over the past few years. We agree with the tenet that better coordination can help improve efficiency and achieve better results in federal economic development efforts.

DOC02: Provide Better Coordination to Refocus and Leverage Federal Export Promotion

This recommendation is designed to improve federal services to U.S. businesses competing in the world export markets.

GAO Comments

We advocate improved federal trade promotion efforts and have recommended the development of a strategic plan for export promotion. Title II of the Export Enhancement Act of 1992 requires the interagency

Trade Promotion Coordinating Committee (TPCC) specifically to establish governmentwide export promotion priorities and to prepare a governmentwide export promotion budget reflecting these priorities. We believe that with continued support from the administration and support from Congress for the TPCC strategic plan, federal efforts to assist exporters can become both more useful to companies and a better buy for taxpayers.

DOC03: Reform the Federal Export Control System for Commercial Goods

To help ensure leading U.S. industries are competitive in the global marketplace, changes should be made in the export control system.

GAO Comments

Our reports over the last few years have dealt with improving various aspects of export control programs that would help U.S. competitiveness in global markets while protecting national security. We supported passage of the Export Enhancement Act of 1992, which, among other things, led to the first annual TPCC strategic plan that included reform of export controls.

DOC05: Create Public/Private Competition for the NOAA Fleet

A pilot program is recommended to open the National Oceanic and Atmospheric Administration fleet to public and private competition to bolster the aging fleet.

GAO Comments

NPR's recommendation is consistent with our conclusions in a report and recent testimony as well as Commerce's Office of Inspector General recommendations that NOAA adopt a plan to provide long-term ship support to its users. This plan should give NOAA the flexibility to exercise multiyear contracting authority to experiment with long-term chartering or leasing arrangements to ensure future mission support.

DOC11: Eliminate Legislative Barriers to the Exchange of Business Data Among Federal Statistical Agencies

Eliminate legislative barriers to the exchange of business data among federal agencies (the Census Bureau, Bureau of Labor Statistics, and

Bureau of Economic Analysis) to reduce the reporting burden on American business.

GAO Comments
We agree with the need for better data sharing and cooperation among federal statistical agencies, and we supported the passage of the Foreign Direct Investment and International Financial Data Improvements Act of 1990. This legislation authorized the linking of data on foreign direct investment in U.S. companies collected by the Bureau of Economic Analysis with data on all U.S. plants collected by the Bureau of the Census. We would encourage more business data sharing while still protecting privacy concerns. This endorsement is based on ongoing work evaluating the efficiency and effectiveness of the Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, and the National Center for Health Statistics.

DOC13: Use Sampling to Minimize Cost of the Decennial Census
Use sampling rather than more costly methods of counting nonrespondents to the next decennial census. (Savings will occur but are beyond the time frame of this analysis.)

GAO Comments
We agree that the use of statistical sampling would reduce the time and costly labor-intensive fieldwork required to follow up on census nonrespondents. In addition, the census can derive benefits from sampling in terms of a reduction in the burden on respondents and potentially increased data quality. Because of its critical nature to census planning and the need for operational testing, any possible legal issues concerning sampling should be resolved as expeditiously as possible.

Recommendations With Which GAO Generally Agrees

DOC04: Strengthen the Tourism Policy Council
Revitalize the Tourism Policy Council and give it greater authority to coordinate federal tourism promotion efforts.

GAO Comments
We have not specifically addressed the Tourism Policy Council. However, in concert with Commerce's responsibility for promoting tourism, we have advocated several changes to tourism programs. These include coordinating among government agencies to speed international airport clearance processing and to improve visitor facilitation. Given the size and

diversity of the tourism industry, efficient and effective coordination of government and private sector activities is a prerequisite to successful tourism promotion.

DOC09: Expand the Electronic Availability of Census Data
To increase access to and use of census data, the Census Bureau should create a computerized census information center.

GAO Comments
With the exception of compact-disc, read-only-memory (CD-ROM), we have not studied the Census Bureau's use of new technology to disseminate information. However, we do support exploring how technology might help in better meeting users' federal information needs.

DOC10: Amend the Omnibus Trade and Competitiveness Act to Increase the Data Quality of the National Trade Data Bank
This recommendation outlines improvements needed in the quality and quantity of data in this business-oriented data bank.

GAO Comments
We agree that data quality and quantity should be a major consideration of any database. We suggested in earlier reports that Commerce could improve the coverage of information in the National Trade Data Bank by adding several additional databases to it. According to Commerce, considerable enhancements have been made to the database and users are pleased.

DOC12: Establish a Single Civilian Operational Environmental Polar Satellite Program
To reduce duplication and save taxpayers a billion dollars over the next decade, various current and proposed polar satellite programs should be consolidated under NOAA.

GAO Comments
We have supported the consolidation of polar orbiting meteorological satellite systems to the maximum extent possible. We have not, however, verified the estimated savings and have not taken a position on which agency should administer the recommended program.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

DOC06: Improve Marine Fisheries Management
To help protect fishing resources and provide new income to the government, NOAA should collaborate with Congress and fishing industry representatives to establish appropriate user fees to help offset management costs for national fisheries zones.

GAO Comments
We have insufficient information to comment on this recommendation. User fees to help offset management costs for national fishery zones could be a source of additional revenue to the federal government. Implementing such user fees should be considered in the context of their costs and benefits to fishery zones management.

DOC07: Provide EDA Public Works Loan Guarantees for Infrastructure Assistance
This recommendation would provide the Economic Development Administration with authority to use part of its funding as a reserve for loan guarantees for various public economic development projects.

GAO Comments
We have not reviewed this concept for financing improvements to the nation's infrastructure.

DOC08: Establish a Manufacturing Technology Data Bank
To help U.S. manufacturing firms increase their capabilities, Commerce should create a new database to provide technical information and contacts.

GAO Comments
While we do support the concept of providing U.S. manufacturing firms with the technical information and contacts needed to improve their competitiveness, we have not addressed this issue as it relates to the need to create new databases.

DOC14: Build a Business and Economic Information Node for the Information Highway

To assist in the distribution of government information to private citizens, Commerce should build a business and economic information node to the "information highway."

GAO Comments

While we have only recently started studying issues affecting the development of a business and economic information node to the information highway, we have reported on the current and future needs of federal information users. Contacts with trade, business, and commercial organizations revealed an interest in receiving a variety of federal documents in such electronic formats as electronic mail, bulletin boards, or on-line databases.

DOC15: Increase Access to Capital for Minority Business

Commerce and SBA should provide the President with recommendations to improve SBA and Minority Business Development Administration programs.

GAO Comments

We have not done any work that looked specifically at the access to capital issue. Our work has identified program weaknesses and improvements needed at MBDA and SBA. Our recommendations are aimed at improving the agencies' effectiveness and performance.

Additional Areas of GAO Concern

None.

Related GAO Products

Commerce Issues (GAO/OCG-93-12TR, Dec. 1992) relates to the overall summary, DOC11, and DOC13.

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992) relates to DOC01.

Rural Development: Rural America Faces Many Challenges (GAO/RCED-93-35, Nov. 20, 1992) relates to DOC01.

Export Promotion Strategic Plan: Will it Be a Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993) relates to DOC02 and DOC03.

Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993) relates to DOC02 and DOC03.

Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993) relates to DOC02 and DOC03.

Export Promotion: Problems in the Small Business Administration's Program (GAO/GGD-92-77, Sept. 2, 1992) relates to DOC02.

Export Promotion: A Comparison of Programs in Five Industrialized Nations (GAO/GGD-92-92, June 22, 1992) relates to DOC02.

Export Promotion: Overall U.S. Strategy Needed (GAO/T-GGD-92-40, May 20, 1992) relates to DOC02 and DOC03.

Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992) relates to DOC02 and DOC03.

Foreign Investment: Analyzing National Security-Related Investments Under the Exxon-Florio Provision (GAO/T-GGD-92-49, June 4, 1992) relates to DOC03.

Foreign Investment: Concerns in the Banking, Petroleum, Chemical, and Biotechnology Sectors (GAO/NSIAD-90-129, May 30, 1990) relates to DOC03.

Foreign Direct Investment: Assessment of Commerce's Annual Report and Data Improvement Efforts (GAO/NSIAD-92-107, Mar. 18, 1992) relates to DOC03.

International Trade Administration-Export Promotion Activities (GAO/T-NSIAD-90-4, Oct. 18, 1989) relates to DOC03.

International Trade: Easing Foreign Visitors' Arrival at U.S. Airports (GAO/NSIAD-91-6, Mar. 8, 1991) relates to DOC04.

Foreign Visitor Facilitation (GAO/T-NSIAD-90-56, July 18, 1990) relates to DOC04.

Ocean Research Vessels: NOAA Fleet Modernization Plan (GAO/T-RCED-94-52, Oct. 21, 1993) relates to DOC05.

Ocean Research Fleet: NOAA Needs to Plan for Long-Term Fleet Requirements (GAO/RCED-90-42, Nov. 13, 1989) relates to DOC05.

Science and Technology: Federal Efforts to Collect and Analyze Information on Foreign Science and Technology (GAO/T-RCED-93-08, Feb. 23, 1993) relates to DOC08 and DOC14.

Technology Transfer: Federal Efforts to Enhance the Competitiveness of Small Manufacturers (GAO/RCED-92-30, Nov. 22, 1991) relates to DOC08 and DOC14.

Trade and Economic Data: Many Federal Agencies Collect and Disseminate Information (GAO/NSIAD-91-173, May 1, 1991) relates to DOC08.

CD-ROM Issues (GAO/GGD-93-57R, July 22, 1993) relates to DOC09.

Information Dissemination: Federal CD-ROM Titles—What Are Available and How They Were Priced (GAO/IMTEC-93-34FS, June 30, 1993) relates to DOC09.

Federal Register: Better Electronic Technology Planning Could Improve Production and Dissemination (GAO/GGD-93-5, Nov. 10, 1992) relates to DOC09.

Geographic Information Systems: Information on Federal Use and Coordination (GAO/IMTEC-91-72FS, Sept. 27, 1991) relates to DOC09.

Federal Information: Users' Current and Future Technology Needs (GAO/GGD-89-20FS, Nov. 30, 1988) relates to DOC09 and DOC14.

Export Promotion: Problems With Commerce's Commercial Information Management System (GAO/NSIAD-89-162, Aug. 31, 1989) relates to DOC10.

Export Promotion: Status of Commerce's Worldwide Commercial Information Management System (GAO/NSIAD-89-100, Jan. 23, 1989) relates to DOC10.

Weather Forecasting: Cost Growth and Delays in Billion-Dollar Weather Service Modernization (GAO/GGD-9, Aug. 22, 1991) relates to DOC12.

Weather Satellites: Action Needed to Resolve Status of the U.S. Geostationary Satellite Program (GAO/NSIAD-91-252, July 24, 1991) relates to DOC12.

Weather Satellites: Cost Growth and Development Delays Jeopardize U.S. Forecasting Ability (GAO/NSIAD-89-169, June 30, 1989) relates to DOC12.

Weather Satellites: Economies Available by Converging Government Meteorological Satellites (GAO/NSIAD-87-107, Apr. 23, 1987) relates to DOC12.

Decennial Census: Test Design Proposals Are Promising, But Fundamental Reform Is Still at Risk (GAO/T-GGD-94-12, Oct. 7, 1993) relates to DOC13.

Decennial Census: Focused Action Needed Soon to Achieve Fundamental Breakthroughs (GAO/T-GGD-93-32, May 27, 1993) relates to DOC13.

Decennial Census: Fundamental Reform Jeopardized by Lack of Progress (GAO/T-GGD-93-6, Mar. 2, 1993) relates to DOC13.

Decennial Census: 1990 Results Show Need for Fundamental Reform (GAO/GGD-92-94, June 9, 1992) relates to DOC13.

Decennial Census: Opportunities for Fundamental Reform (GAO/T-GGD-92-51, June 10, 1992) relates to DOC13.

High Performance Computing: Advanced Research Projects Agency Should Do More To Foster Program Goals (GAO/IMTEC-93-24, May 17, 1993) relates to DOC14.

Minority Business: Minority Business Development Agency Needs to Address Program Weaknesses (GAO/RCED-91-114, Apr. 16, 1991) relates to DOC15.

Minority Business: Management Improvements Needed at Minority Business Development Agency (GAO/RCED-90-69, Jan. 19, 1990) relates to DOC15.

Department of Defense (DOD)

Overall Summary

The defense budget has been declining from its peak in the mid-1980s. The current administration proposes to reduce the Department of Defense's 5-year spending for the period of fiscal years 1995-99 an additional $104 billion from the prior administration's estimate. However, even deeper defense cuts may be sought by Congress to meet deficit reduction goals and fund other important federal programs. Achieving efficiencies through implementation of the NPR recommendations will be increasingly important to DOD as federal budgets become more constrained.

Many of NPR's recommended improvements to DOD operations are in line with the thrust of our reports and testimonies presented over the last several years. If properly implemented, these actions could result in substantially greater efficiencies in DOD operations. When changing existing operations we believe that it is important to understand why existing procedures were put in place so as to avoid the possibility of making costly mistakes. In addition to the NPR recommendations, we believe that improvement of DOD's financial management systems and internal controls as well as its inventory management is a necessary first step.

GAO Contact

Neal Curtin, Director of Reporting, National Security and International Affairs Division, (202) 512-6152.

Recommendations With Which GAO Agrees

DOD01: Rewrite Policy Directives to Include Better Guidance and Fewer Procedures

DOD should clarify policy directives and procedures to reduce administrative burden and unnecessary regulatory controls.

GAO Comments

We endorse efforts to clarify the policy directives to reduce unnecessary procedures and controls. However, there are risks that must be considered. Directives were created based on extensive experience and lessons learned. Changing existing directives without adequate consideration of what brought about the original directives invites a repetition of costly mistakes. Revisions to existing directives should ensure that appropriate checks and balances are maintained.

DOD04: Outsource Non-Core Department of Defense Functions
By contracting out non-core functions (from towing services to certain information technology functions), DOD will be better able to focus on its core responsibilities.

GAO Comments
We agree with this recommendation and would support an approach where functions are outsourced on a case by case basis. For example, we recently reviewed a price comparison of DOD printing operations and found that like other price comparisons done in the past, the recent one, drawn largely from DOD facilities in the Washington area, showed that significant savings could be achieved if more of DOD's printing and duplicating work were procured commercially rather than being performed in-house. We are doing additional price comparisons to determine the extent to which DOD printing and duplicating savings can be achieved nationwide. Similar type studies would be needed on other functional areas to ensure DOD would get better quality service, save money, and reduce the administrative burden.

DOD07: Create a Healthy and Safe Environment for Department of Defense Activities
To create a safe environment, DOD must take action in the areas of clean-up of hazardous wastes, use of environmental technology, and pollution prevention.

GAO Comments
We strongly support actions by DOD and other agencies aimed at a safer environment. Cleanup, technology, and pollution prevention are among the major considerations in an overall program, and our past reports and ongoing work support an emphasis on them. Past efforts to reach environmental protection goals and ensure that limited resources are used wisely have been hindered by limited guidance and weaknesses in information systems and financial controls.

DOD09: Maximize the Efficiency of DOD Health Care Operations
Use emerging technology to upgrade care at DOD health care facilities.

GAO Comments
We fully support the prudent use of emerging technology to upgrade and improve health care delivery at DOD health care facilities. The primary

means for using emerging technology to achieve improvements in clinical operations is the Composite Health Care System (CHCS)—a fully integrated hospital information system. The outpatient and ancillary portions of the system are nearly ready for worldwide activation. The physician inpatient order entry capability requires redesign. This system has significant potential.

Recommendations With Which GAO Generally Agrees

DOD03: Purchase Best Value Common Supplies and Services
Allow managers and commanders to purchase the best value common supplies and services from public, private, or nonprofit sources.

GAO Comments
We have reported that procurement officials are already authorized under existing procurement law to consider source selection factors other than price. We support efforts to implement and simplify "best value" practices and make them more usable for small dollar value procurements. To the extent that the NPR recommendation may seek to expand contracting authority, this would require further study.

DOD06: Establish and Promote a Productivity-Enhancing Capital Investment Fund
DOD should be authorized to expand its capital investment fund to manage its operations in a more business-like manner.

GAO Comments
We generally agree with the concept of promoting productivity-enhancing capital investments, provided that the associated fund is effectively managed. However, our experience with DOD's capital asset program, now funded under the Defense Business Operations Fund, has not been good. DOD has not established adequate procedures, including controls over revenues and expenditures and separate reserve accounts, to accurately track and account for capital asset revenues, obligations, and expenditures. These weaknesses have raised questions about appropriate funding levels, justification of investment decisions, and accuracy of budget presentations. We have ongoing work in this area, including examining the need and justification for selected capital assets and the adequacy of oversight and control of the capital program. Until DOD has more fully developed its policies and procedures governing the capital program, we are not in a position to support expansion of this concept for financing capital improvements.

DOD08: Establish a Defense Quality Workplace
Encourage the use of quality management concepts at all levels in the Department of Defense.

GAO Comments
We strongly support the idea of using quality management concepts at all levels in DOD. We support DOD using these concepts to pursue an organizational culture that is devoted to continuous improvement; the quest for more economic, efficient, and effective operations in all activities; and the pilot testing and Department-wide implementation of the best management practices in the public and private sectors. While we have not specifically recommended that DOD establish a "defense quality workplace," we have reported that DOD needs to change its culture with respect to certain areas, such as increasing emphasis on economy and efficiency in inventory and supply management, and particularly training, since training is a key element in perpetuating cultural change. We have also recommended that DOD pilot test a number of commercial practices in an effort to find ways to improve its operations and reported that most federal installations that practice Total Quality Management benefit in such areas as increased productivity and improved quality, timeliness, attention to customer requirements, and problem solving skills.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

DOD02: Establish a Unified Budget for the Department of Defense
Give commanders greater flexibility to set priorities, solve funding problems, and resolve unplanned requirements at the lowest appropriate operating level.

GAO Comment
We are not familiar with the DOD experiment called the Unified Budget Test referred to in the NPR report and therefore cannot comment on this recommendation specifically. While this overall recommendation is broadly worded, the elaboration of the recommendation and the discussion concerning minimizing budget restrictions in the NPR report as it relates to DOD appear to focus on the operations and maintenance (O&M) portion of the budget. DOD's budget is divided into six major appropriations categories—military personnel; O&M; procurement;

research development, test, and evaluation; military construction; and family housing. The O&M account represents the largest portion of the proposed fiscal year 1994 DOD budget—almost 36 percent and $89 billion. The O&M budget is further subdivided by DOD components and then again within these components. This recommendation is not clear as to how high a level of aggregation of the O&M budget is desirable or how a unified budget would be affected by the lack of needed improvements in DOD's financial management systems and internal controls.

DOD05: Create Incentives for the Department of Defense to Generate Revenues

This recommendation proposes giving managers and commanders the ability to generate income at the installation level by allowing the Corps of Engineers to recover its costs for processing certain commercial applications and by establishing goals for solid waste reduction and recycling.

GAO Comments

We have not done specific work regarding whether the Corps of Engineers should attempt to generate income to recover costs at the installation level. Consequently, we are not in a position to address this matter.

DOD10: Give Department of Defense Installation Commanders More Authority and Responsibility Over Installation Management

By giving DOD installation commanders more authority over installation management, DOD will be better able to manage its resources, provide services to its employees, and move toward more entrepreneurial management.

GAO Comments

Greater empowerment of installation commanders to manage is a recommendation that on the surface appears to have much merit. However, the report does not provide sufficient information to indicate what additional authorities are intended to be granted and/or to what extent those authorities might run counter to greater centralization of management functions evident in recent Defense Management Review initiatives, such as in the areas of finance and accounting and printing. Nor is it clear to what extent such empowerment could result in the transfer of funding designated for readiness and training to other uses.

DOD11: Reduce National Guard and Reserve Costs

This recommendation makes two changes in the current costs for reservists: (1) to limit compensation of federal employees on reserve duty to the greater of civilian or reserve compensation or to allow the reservist to take annual leave; and (2) to limit the basic allowance for quarters only to reservists who actually bring their dependents on short-term duty assignments when quarters are not provided to dependents.

GAO Comments

This recommendation has merit from the standpoint of eliminating any perceived inequity between the amount of government pay provided to federal employees and nonfederal employees on reserve duty. It also recognizes that the existing fiscal year impact could grow if pressures continue to build to increasingly rely on reservists for periods of extended active duty time. The recommended change would require a change in legislation. However, our prior work in reserve issues does not put us in a position to gauge the importance of current legislative provisions to recruiting or to maintaining needed reserve manning levels, or likewise to estimate the likely effect of any legislative change.

DOD12: Streamline and Reorganize the U.S. Army Corps of Engineers

NPR recommends implementing a 1992 reorganization proposal that would reduce the number of division offices from 11 to 6 and would allow the Corps to work with OMB and other agencies to make maximum use of Corps' engineering and technical capabilities.

GAO Comments

The reduction in the number of Corps of Engineers' division offices is part of an overall reorganization of the Corps involving all of its 36 district offices. If the plan is adopted, the Corps would reduce its workforce by 2,600 and redistribute 5,000 positions among its remaining division and district offices. Since we have not studied the plan in any detail, we are not in a position to assess the merits of this recommendation.

Additional Areas of GAO Concern

Improving Financial Management and Internal Controls. To control costs in the Department of Defense, it is first necessary for managers to determine what the costs are. Currently, DOD is unable to do this for many of its activities because its financial systems and practices are out of date, inaccurate, and unreliable. Consequently, the kind of relevant, credible

financial information that program managers, commanders, and top executives need to reduce costs and measure performance is often not available.

Reforming Weapons System Acquisition. The manner and process in which weapons requirements are determined and weapons are acquired have often proved costly and inefficient—if not wasteful. The combination of unrealistic spending plans, costly weapons requirements, overly optimistic cost estimates, and high-risk acquisition schedules has resulted in an annual budget cycle of weapons cost overruns that require increased funding or program adjustments that reduce, delay, and/or stretch out the programs. Past efforts to reform the acquisition process have not eliminated these problems. A prevailing culture that depends on generating and supporting new weapons acquisitions has defeated past reform efforts. DOD must rededicate its efforts to improving weapons acquisition.

Improving Inventory Management. Another area that is not fully addressed by NPR but of great concern to us is DOD's inventory management. DOD has wasted billions of dollars on excess supplies, burdened itself with the need to maintain them, and failed to acquire the tools or expertise to manage them effectively. DOD needs to shift its organizational culture toward economical and efficient inventory practices. While DOD has begun to address its inventory management problems, the services continue to develop systems independently, and plans to link the systems are at different stages of development. DOD must continue to work toward instilling the appropriate priorities, incentives, and attitudes among its supply managers and users and should consider aggressively adopting modern commercial inventory practices that have been successfully proven in the private sector.

Related GAO Products

Export Controls: Issues in Removing Militarily Sensitive Items From the Munitions List (GAO/NSIAD-93-76, Mar. 31, 1993) relates to DOD01.

Test and Evaluation: DOD Has Been Slow in Improving Testing of Software-Intensive Systems (GAO/NSIAD-93-198, Sept. 29, 1993) relates to DOD01.

Contract Pricing: Unallowable Costs Charged to Defense Contracts, (GAO/NSIAD-93-79, Nov. 20, 1992) relates to DOD01.

Defense Procurement: Programs for Considering Vendor's Past Performance in Awarding Contract (GAO/NSIAD-93-63, June 30, 1993) relates to DOD03.

Defense Management: Printing Operations at the Department of Defense (GAO/T-NSIAD-93-19, July 15, 1993) relates to DOD04.

Financial Management: Opportunities to Strengthen Management of the Defense Business Operations Fund (GAO/T-AFMD-93-6, June 16, 1993) relates to DOD06.

Financial Management: Status of the Defense Business Operations Fund (GAO/AFMD-92-79, June 15, 1992) relates to DOD06.

Industrial Funds: Weaknesses Remain in the Department of Defense's Capital Equipment Program (GAO/NSIAD-91-175, Apr. 17, 1991) relates to DOD06.

Superfund: Backlog of Unevaluated Federal Facilities Slows Cleanup Efforts (GAO/RCED-93-119, July 20, 1993) relates to DOD07.

Environmental Cleanup: Unresolved Issues in Reimbursements to DOD Contractors (GAO/T-NSIAD-93-12, May 20, 1993) relates to DOD07.

Ozone-Depleting Chemicals: Increased Priority Needed If DOD Is to Eliminate Their Use (GAO/NSIAD-92-21, Nov. 13, 1991) relates to DOD07.

Hazardous Waste: Attention to DOD Inventories of Hazardous Materials Needed (GAO/NSIAD-90-11, Nov. 6, 1989) relates to DOD07.

Defense Inventory: Top Management Attention is Crucial (GAO/NSIAD-90-145, Mar. 26, 1990) relates to DOD08.

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992) relates to DOD08.

Quality Management: Survey of Federal Organizations (GAO/GGD-93-9BR, Oct. 1, 1992) relates to DOD08.

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993) relates to DOD08.

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991) relates to DOD08.

Defense Inventory: Applying Commercial Purchasing Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993) relates to DOD08.

Commercial Practices: Opportunities Exist to Reduce Aircraft Engine Support Costs (GAO/NSIAD-91-240, June 28, 1991) relates to DOD08.

Defense Transportation: Commercial Practices Offer Improvement Opportunities (NSIAD-94-26, expected publish date in Nov. 1993) relates to DOD08.

Weapons Acquisition: A Rare Opportunity for Lasting Change (GAO/NSIAD-93-15, Dec. 1992) relates to DOD08 and additional areas of GAO concern.

Medical ADP Systems: Composite Health Care System Operational Test Extended (GAO/IMTEC-89-30, Apr. 10, 1989) relates to DOD09.

Medical ADP Systems: Composite Health Care System Defense Faces a Difficult Task (GAO/IMTEC-90-42, Mar. 15, 1990) relates to DOD09.

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991) relates to DOD09.

Defense's Acquisition of the Composite Health Care System (GAO/T-IMTEC-90-04, Mar. 15, 1990) relates to DOD09.

Medical ADP Systems: Changes in Composite Health Care System's Development Strategy Are Unwise (GAO/IMTEC-91-47, Sept. 30, 1991) relates to DOD09.

Medical ADP Systems: Composite Health Care Systems Is Not Ready to Be Deployed (GAO/IMTEC-92-54, May 20, 1992) relates to DOD09.

Composite Health Care Systems: Outpatient Capability Is Nearly Ready for Worldwide Deployment (GAO/IMTEC-93-11, Dec. 15, 1992) relates to DOD09.

National Security Issues (GAO/OCG-93-9TR, Dec. 1992) relates to additional areas of GAO concern.

Defense Inventory Management (GAO/HR-93-12, Dec. 1992) relates to additional areas of GAO concern.

Department of Education (ED)

Overall Summary

As discussed in our December 1992 transition series report on Education Issues, the Department of Education has a strong leadership role to play in improving the nation's education system. However, Education has had long-standing managerial problems that may hamper its taking a strong leadership role. These problems have been particularly evident in Education's student assistance programs, as documented in our December 1992 high-risk series report on Guaranteed Student Loans. However, problems also exist in overall departmental management, financial and management information systems, and human resources management.

Many of NPR's recommendations to streamline education department programs, strengthen student aid programs, and improve development opportunities for Education employees are in line with our reports. Implementing such recommendations would better focus Education's efforts on the challenges of improving the nation's education system.

GAO Contact

Linda G. Morra, Director, Education and Employment Issues, Human Resources Division, (202) 512-7014.

Recommendations With Which GAO Agrees

ED01: Redesign Chapter 1 of Elementary and Secondary Education Act

Recommendations focus education funds on the neediest students and simplify requirements on schools receiving federal education aid. Existing funds are redirected.

GAO Comments

We have recommended better targeting of Chapter 1 funds to counties with the most needy students. Simplified requirements for schools receiving federal aid could enable categorical programs to better fit into school reform efforts, according to our report on systemwide education reform.

ED05: Streamline and Improve the Department of Education's Grants Process

Statutory restrictions on the department's rulemaking process should be removed, flexibility added to certain procedures, and unnecessary requirements eliminated to shorten the grant award process.

GAO Comments
We have strongly advocated improving Education's grants process. However, we have not made this specific recommendation.

ED06: Provide Incentives for the Department of Education's Debt Collection Service
This recommendation would allow Education to use a portion of revenues collected from defaulted student loans to pay for collections costs, thereby providing an incentive for increased collections.

GAO Comments
We agree and have proposed that federal agencies keep a portion of their increased collections to be used to improve debt collection systems and practices.

ED07: Simplify and Strengthen Institutional Eligibility and Certification for Participation in Federal Student Aid
NPR recommends developing ways of measuring default indicators, creating profiles of high-risk institutions, and removing eligibility of institutions to participate in federal financial aid programs once the schools have become ineligible to receive federal student loan funds.

GAO Comments
We agree and have reported on problems with Education's school eligibility and certification process, and we recommended changes and alternatives for improvement. The NPR recommendations are consistent with our position.

ED09: Improve Employee Development Opportunities in Department of Education
Education should create a full spectrum of activities that can contribute to career development, including conducting a departmentwide assessment of training and development needs.

GAO Comments
We strongly recommend these types of actions, which are necessary to successfully develop and upgrade the serious skill weaknesses of Education staff in such areas as accounting, finance, analysis, writing, and management. This would also function as part of the implementation of

our recommendation for a strategic vision and strategic plans for human resources management.

ED12: Develop a Strategy for Technical Assistance and Information Dissemination
Education should develop a strategy for its $290 million technical assistance efforts designed to promote the National Goals 2000 themes.

GAO Comments
We support Education's efforts to improve and focus its technical assistance and information dissemination. We found that such actions could better support systemwide education reform efforts in school districts. Development of this type of strategy would also be consistent with our recommendations for implementing departmentwide strategic management.

Recommendations With Which GAO Generally Agrees

ED02: Reduce the Number of Programs the Department of Education Administers
Eliminate or consolidate more than 40 existing education grant programs and free up funds for use in other educational programs.

GAO Comments
We generally support reducing the administrative burden at federal and local levels. Although not speaking directly to education program consolidation, we have suggested that Congress consider simplifying current approaches to assist dislocated workers to one that assists workers regardless of the reason for their dislocation. We have also suggested making existing federal categorical education programs more conducive to systemwide reform while meeting the needs of at-risk students. Reducing the number of programs may be one of many strategies used to do this.

ED03: Consolidate the Eisenhower Math and Science Education Program with Chapter 2
NPR proposes combining this teacher training program, which is largely consumed with short-term training, with other ED programs to create a new program with a more coherent national focus on teacher training and professional development.

GAO Comments
We generally agree with the thrust of this recommendation. In 1992, we found that short-term teacher training alone is unlikely to produce major improvements in student academic achievement. However, we have not recommended the specific steps seen in this recommendation.

ED11: Build a Professional, Mission-Driven Structure for Research
NPR recommends establishing a research advisory board, consolidating and targeting research and development efforts, and establishing an office to translate research findings into education reform assistance.

GAO Comments
We have no work that directly supports this recommendation. However, this recommendation is consistent with our recommendations for implementing departmentwide strategic management.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

ED04: Consolidate National Security Education Act Programs
The NSEA trust fund, administered by the Department of Defense, should be consolidated with the Center for International Education in ED to strengthen foreign language study and eliminate duplication of effort.

GAO Comments
We have insufficient information to assess this recommendation.

ED08: Create a Single Point of Contact for Program and Grant Information
ED should create an electronic system that can be used by students, parents, researchers, and administrators to learn about department programs, funding opportunities, best practices, and other information.

GAO Comments
We have insufficient information to assess this recommendation.

ED10: Eliminate the Grantback Statutory Provision of the General Education Provisions Act
NPR recommends repealing this provision, which permits the department to return to a grantee a percentage of funds recovered from the grantee as a result of an audit.

GAO Comments
We have insufficient information to assess this recommendation.

Additional Areas of GAO Concern

The Department of Education needs to improve the reliability of the underlying data that support the Federal Family Education Loan Program's cost and budget projections so that the National Student Loan Data System will be supported by reasonable data and the cost of this program can be better managed. We have suggested in several reports that Education expedite its plan for ensuring that these data are more useful, timely, and accurate.

Related GAO Products

Education Issues (GAO/OCG-93-18TR, Dec. 1992) relates to the overall summary.

Guaranteed Student Loans (GAO/HR-93-2, Dec. 1992) relates to the overall summary and ED07.

Remedial Education: Modifying Chapter 1 Formula Would Target More Funds to Those Most in Need (GAO/HRD-92-16, July 28, 1992) relates to ED01.

Systemwide Education Reform: Federal Leadership Could Facilitate District-Level Efforts (GAO/HRD-93-97, Apr. 30, 1993) relates to ED01 and ED12.

Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, Oct. 19, 1993) relates to ED02.

Department of Education: Eisenhower Math and Science State Grant Program (GAO/HRD-93-25, Nov. 10, 1992) relates to ED03.

Education Grants Management: Management Actions Initiated to Correct Material Weaknesses (GAO/HRD-91-72, Feb. 26, 1991) relates to ED05.

Desegregation Activities: Administration of Education Grant Funds at the Cleveland School District (GAO/HRD-89-83, Aug. 29, 1989) relates to ED05.

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved (GAO/AFMD-86-39, May 23, 1986) relates to ED06.

Guaranteed Student Loans: Legislative and Regulatory Changes Needed to Reduce Default Costs (GAO/HRD-87-76, Sept. 30, 1987) relates to ED06.

Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993) relates to ED09, ED11, and ED12.

Financial Audit: Guaranteed Student Loan Program's Internal Controls and Structure Need Improvement (GAO/AFMD-93-20, Mar. 16, 1993) relates to additional areas of GAO concern.

Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Year 1992 (GAO/AIMD-93-4, June 30, 1993) relates to additional areas of GAO concern.

Department of Energy (DOE)

Overall Summary

As discussed in our December 1992 transition series report entitled Energy Issues and high-risk series report entitled Department of Energy Contract Management, the Department of Energy faces monumental challenges that will require enormous resources and leadership in the years ahead. These challenges include

- a massive, $160 billion cleanup of DOE's nuclear weapons complex—after nearly 50 years of environmental abuse—with billions more dollars needed to reconfigure the aging complex once DOE decides how and where future weapons materials can best be produced;
- a decision on a new mission and the optimal role for the Department's national laboratories, funded at more than $7 billion yearly and employing 50,000 staff;
- a plan to finally establish a nuclear waste repository, estimated to cost up to $30 billion; and
- new initiatives to confront and resolve fundamental weaknesses in contract management.

Several of NPR's recommendations touch on these basic issues and, if implemented, should contribute to better management practices at DOE. Particularly relevant are those recommendations dealing with cleanup problems at the weapons complex and the Department's practices for managing contractors. DOE contracts out most of its mission-related functions and is the largest civilian contractor agency. Many of its past problems can be directly associated with breakdowns related to contractors. However, of the remaining challenges confronting the Department of Energy, many are policy-driven and go well beyond the economy- and efficiency-oriented solutions that generally characterize NPR's agenda.

GAO Contact

Victor S. Rezendes, Director, Energy and Science Issues, Resources, Community, and Economic Development Division, (202) 512-3841.

Recommendations With Which GAO Agrees

DOE01: Improve Environmental Contract Management
NPR proposes improvements in DOE's environmental cleanup contracts to achieve efficiency.

GAO Comments
We support improvements in contract management. We have repeatedly criticized DOE for failing to properly manage the vast network of contractors that carry out its missions; contracts for this work amount to

over $15 billion a year. Contract management problems are particularly evident in the Environmental Restoration and Waste Management Program, which was created in 1989 and has grown to encompass almost one-third of the Department's budget. Although DOE has implemented several strategies to increase its control over these cleanup contractors and adopted new contracting strategies, numerous problems remain.

DOE03: Make Field Facility Contracts Outcome-Oriented
This recommendation would modify the current DOE contract process at field facilities to make the contracts more outcome-oriented to improve efficiency and contractor performance.

GAO Comments
In our view, contractors should be held liable for improper performance and accountable for improper behavior. However, as noted in our December 1992 report entitled Department of Energy Contract Management, the needed changes will take both time and commitment. As a positive step, the Secretary of Energy recently established a special Contract Reform Team to, among other things, develop a framework of performance measurements and incentives for use in DOE's management and operating contracts.

DOE06: Redirect Energy Laboratories to Post-Cold War Priorities
This recommendation provides guidance for use of DOE energy labs, focusing on defining new missions, consolidating or eliminating unneeded facilities, and making their services of greater benefit in the post-Cold War era.

GAO Comments
We agree that the mission of the national laboratories needs to be redefined. These laboratories—and particularly the three defense laboratories—represent a significant national resource that may be redirected toward important national priorities outside of their traditional defense mission. Our ongoing work suggests that strong government leadership is needed to redefine the laboratories' missions and provide the kind of managerial tools necessary to ensure a successful transition to new mission areas, such as competitiveness and environmental technologies. These are the areas in which experts believe the greatest contributions can be made.

We also agree that opportunities exist for consolidating certain weapons facilities and for sharpening the laboratories' defense mission in light of changing military priorities. For example, the laboratories still have an important role to play in improving the safety of weapons.

Recommendations With Which GAO Generally Agrees

DOE02: Incorporate Land Use Planning in Cleanup
NPR recommends that DOE incorporate land-use planning into the nuclear facilities cleanup process.

GAO Comments
We agree with the general direction of NPR's recommendation to conduct land-use planning for DOE's facilities and to relate the level of cleanup to expected future uses of the land. According to NPR, such an approach can help clarify cleanup objectives and improve exposure and risk assessments, resulting in better-informed selections of cleanup remedies. We have also emphasized that the Department should acknowledge that some areas of the weapons complex may be irreversibly contaminated and may thus require long-term institutional control.

DOE05: Strengthen the Federal Energy Management Program
NPR recommends a number of improvements to this program, designed to better manage federal energy use.

GAO Comments
Although NPR did not include information on the specific improvements it advocates for the Federal Energy Management Program, we think that certain improvements need to be made. These changes include a greater emphasis on energy management by federal agencies and increased funding for federal energy conservation efforts. Funding options could be increased by simplifying the procedures for financing energy conservation projects through nonfederal sources, such as contracting based on energy-saving performance and utility rebate programs.

DOE07: Save Costs Through Private Power Cogeneration
This would allow the private sector to cogenerate power at DOE labs as a means of saving money. DOD has similar authority at this time.

GAO Comments
Although we have not specifically made a recommendation on this issue,

we generally support the idea of using fuel-efficient cogeneration technology where feasible. The benefits of using this technology were recognized by Congress as early as 1978 with passage of the Public Utilities Regulatory Policies Act, which required electric utilities to purchase energy from cogenerators and other power producers.

DOE08: Support the Sale of the Alaska Power Administration
The federal government should divest its interests in the Alaska Power Administration.

GAO Comments
We would support such a sale, provided the terms and conditions of the sale carefully balance the need to protect the Alaska Power Administration's existing ratepayers and the taxpayers' interests. More specifically, the sale should provide for full cost recovery by the government and reflect the full potential value of the assets to the purchaser.

Recommendations With Which GAO Disagrees

None.

Recommendation on Which GAO Has Insufficient Information to Judge

DOE04: Increase Electrical Power Revenues and Study Rates
NPR proposes increasing federal income by allowing the Power Marketing Administrations to recover a larger portion of its operating costs through rate increases or by changing the financing of the Bonneville Power Administration.

GAO Comments
We understand that $2.4 billion of the entire $3.6 billion estimated change in receipts shown in this recommendation relates to changing the financing of the Bonneville Power Administration (BPA). In our view, the proposed refinancing of BPA's appropriated debt is merely an exchange of Treasury debt for agency debt. As such, this transaction produces no receipts and will not reduce the budget deficit by the estimated $2.4 billion cited. We expect to assess the benefits identified as this transaction is finalized. We have not reviewed the other components of the recommendation.

Additional Areas of GAO Concern

On the basis of our work, we believe that the following additional challenges facing DOE and not addressed by NPR may warrant attention:

- DOE's efforts to clean up the legacy of weapons production have been hampered by technological, compliance, and management problems that have led, in turn, to missed milestones and escalating budgets. Our work has pointed out the need for DOE to improve how it sets funding priorities in order to address the more serious environmental problems.
- DOE has made significant changes to strengthen contract management. Although DOE's progress is noteworthy, new reforms will require DOE to substantially upgrade its oversight capabilities. Existing staff must be given the right skills to administer new provisions, and information systems must be developed and implemented to provide the kinds of data needed for the more intensive oversight required as the result of reforms.
- DOE lacks information essential for making decisions. DOE spends about $1.6 billion annually to provide its executives, managers, and staff with information to help them accomplish DOE's mission. Despite this effort, DOE's failure to systematically monitor contractors' financial reporting practices has created an atmosphere conducive to financial irregularities, such as circumventing congressional funding authorization and purchasing unauthorized capital equipment.

These weaknesses, insufficient oversight, lack of essential information, and contract problems will require wholesale changes within DOE.

Related GAO Products

Energy Issues (GAO/OCG-93-13TR, Dec. 1992) relates to the overall summary.

Department of Energy Contract Management (GAO/HR-93-9, Dec. 1992) relates to the overall summary, DOE01, DOE03, and DOE06.

Financial Management: Energy's Material Financial Management Weaknesses Require Corrective Action (GAO/AIMD-93-29, Sept. 30, 1993) relates to DOE01.

Department of Energy: Management Problems Require a Long-Term Commitment to Change (GAO/RCED-93-72, Aug. 31, 1993) relates to DOE01.

Department of Energy: Better Information Resources Management Needed to Accomplish Mission (GAO/IMTEC-92-53, Sept. 29, 1992) relates to DOE01.

DOE Management: Impediments to Environmental Restoration Management Contracting (GAO/RCED-92-244, Aug. 14, 1992) relates to DOE01.

Nuclear Weapons Complex: Improving DOE's Management of the Environmental Cleanup (GAO/T-RCED-92-43, Mar. 30, 1992) relates to DOE01 and DOE02.

Energy Management: Tightening Fee Process and Contractor Accountability Will Challenge DOE (GAO/RCED-92-9, Oct. 30, 1991) relates to DOE01 and DOE03.

Nuclear Weapons Complex: Major Safety, Environmental, and Reconfiguration Issues Facing DOE (GAO/T-RCED-92-31, Feb. 25, 1992) relates to DOE02.

Correcting Environmental Problems Facing the Nuclear Weapons Complex (GAO/T-RCED-90-85, May 17, 1990) relates to DOE02.

Energy Management: Vulnerability of DOE's Contracting to Waste, Fraud, Abuse, and Mismanagement (GAO/RCED-92-101, Apr. 10, 1992) relates to DOE03.

GAO Products on Bonneville Power Administration (GAO/RCED-93-133R, Mar. 31, 1993) relates to DOE04.

Budget Issues: Agency Authority to Borrow Should Be Granted More Selectively (GAO/AFMD-89-4, Sept. 15, 1989) relates to DOE04.

Policies Governing Bonneville Power Administration's Repayment of Federal Investment Still Need Revision (GAO/EMD-84-25, Oct. 26, 1983) relates to DOE04.

Bonneville Power Administration's Repayment of the Federal Investment (GAO Testimony, 122327, Sept. 14, 1983) relates to DOE04.

Federal Investment in the Columbia River Power System: Status of Repayment (GAO Testimony, 122041, Aug. 3, 1983) relates to DOE04.

Policies Governing the Bonneville Power Administration's Repayment of Federal Investments Need Revision (GAO/EMD-81-94, June 16, 1981) relates to DOE04.

Barriers to Installing Energy-Efficient Lighting in Federal Buildings (GAO/T-GGD-90-54, July 11, 1990) relates to DOE05.

Energy Conservation: Federal Shared Energy Savings Contracting (GAO/RCED-89-99, Apr. 17, 1989) relates to DOE05.

Status of the Federal Energy Management Program (GAO/RCED-84-86, Mar. 7, 1984) relates to DOE05.

Department of Energy: Management Problems Require a Long-Term Commitment to Change (GAO/RCED-93-72, Aug. 31, 1993) relates to DOE06.

Energy Policy: Changes Needed to Make National Energy Planning More Useful (GAO/RCED-93-29, Apr. 27, 1993) relates to DOE06.

Nuclear Weapons Complex: Issues Surrounding Consolidating Los Alamos and Lawrence Livermore National Laboratories (GAO/RCED-92-98, Sept. 24, 1992) relates to DOE06.

Energy Policy: Developing Strategies for Energy Policies in the 1990s (GAO/RCED-90-85, June 19, 1990) relates to DOE06.

Federal Electric Power: Views on the Sale of Alaska Power Administration Hydropower Assets (GAO/RCED-90-93, Feb. 22, 1990) relates to DOE08.

Environmental Protection Agency (EPA)

Overall Summary

Generally, NPR's recommendations for EPA are consistent with our body of work over the past several years and in line with our December 1992 transition series report entitled Environmental Protection Issues. Our work directly supports the majority of NPR's environmental recommendations and provides relevant information on most of the other recommendations. Appropriately, many of the recommendations implicitly acknowledge the limitations of traditional "command and control" regulatory schemes and propose alternative approaches (e.g., economic and market-based approaches) for dealing with seemingly intractable problems in environmental management. Although we support the basic thrust of the recommendations, their success will be contingent on how well they are implemented.

GAO Contact

Richard L. Hembra, Director, Environmental Protection Issues, Resources, Community, and Economic Development Division, (202) 512-6112.

Recommendations With Which GAO Agrees

EPA03: Shift EPA's Emphasis Toward Pollution Prevention and Away From Pollution Control

EPA needs to emphasize pollution prevention by implementing an effective pollution prevention strategy that includes amending regulations and motivating the private sector to invest in cleaner, less polluting technologies and practices.

GAO Comments

We support pollution prevention strategies. A central theme running through much of our work over the past several years has been that it is far less expensive (and more environmentally beneficial) to reduce or eliminate pollution at its source rather than treat it at the "end of the pipe." Although EPA has taken steps towards promoting pollution prevention, our work has stressed the need for EPA to place greater emphasis on these efforts.

EPA04: Promote the Use of Economic and Market-Based Approaches to Reduce Water Pollution

EPA should work with Congress to propose language amending the Clean Water Act to explicitly encourage market-based approaches to reduce water pollution. EPA should also identify wastewater discharge fees that could be included in the Clean Water Act reauthorization.

GAO Comments
We support market-based approaches to reducing water pollution and have asked Congress to consider amending the Clean Water Act to explicitly authorize pollutant trading. In addition, we have asked Congress to consider directing EPA to develop a pollutant-based fee system for dischargers to generate additional revenues and serve as an incentive for dischargers to reduce or eliminate toxic discharges.

EPA05: Increase Private Sector Partnerships to Accelerate Development of Innovative Technologies
NPR recommends that EPA develop an action plan with specific milestones for improving the regulatory and statutory climate for innovative technologies.

GAO Comments
We support improving the climate for innovative technologies. Several of our reviews in the Superfund and drinking water/wastewater areas have identified barriers hindering the wider use of innovative technologies. While EPA has attempted to address some of these barriers in the past, a more systematic and comprehensive approach is warranted.

EPA07: Establish Measurable Goals, Performance Standards, and Strategic Planning within EPA
EPA should draft measurable environmental goals for the range of environmental problems the United States faces. The agency should also draft internal goals to provide direction for assessing and redirecting existing EPA strategies.

GAO Comments
We concur with the need for measurable environmental goals. A central theme of our work over the past several years has been the need for EPA to establish strategic plans and develop measurable environmental goals and indicators. These goals, strategies, and indicators are critical for EPA to ensure that (1) the most pressing environmental needs are addressed in an era of limited resources and (2) progress in these efforts can be tracked and assessed.

EPA10: Promote Quality Science for Quality Decisions
Improvements include establishing guidelines for professional

development of EPA's scientific and technical staff and expanding the use of peer-review and quality assurance procedures.

GAO Comments
We support the need to promote quality science. We have highlighted the problems associated with poor or questionable science and quality assurance procedures in several of our reports, and we are currently assessing EPA's peer-review policies.

Recommendations With Which GAO Generally Agrees

EPA01: Improve Environmental Protection Through Increased Flexibility for Local Government
EPA should amend the regulations it determines are most troublesome for local governments pursuant to the Regulatory Flexibility Act of 1980. The goal is to provide alternative, flexible approaches to meeting environmental mandates.

GAO Comments
Our work has documented the regulatory burdens many localities face in meeting environmental requirements. Accordingly, we support the goal of providing alternative, flexible approaches to meeting environmental mandates, including nonregulatory approaches such as market-based incentives and pollution prevention strategies. However, in our view it might be more appropriate to provide such flexibility by amending the pertinent environmental statutes rather than by providing it through the Regulatory Flexibility Act. Furthermore, in providing local governments with regulatory relief, care must be taken to ensure that human health and the environment are adequately protected and to avoid creating environmental inequities between localities.

EPA06: Stop the Export of Banned Pesticides
EPA should work with Congress to develop legislation to stop the exportation of banned pesticides from the United States by June 1994.

GAO Comments
We understand that there are strongly held, different views on this matter. We agree that exporting substances banned in this country is troubling and deserves further examination. Our recently issued report entitled Pesticides: Limited Testing Finds Few Exported Unregistered Pesticide Violations on Imported Food (1) identified unregistered pesticides produced in the United States for export and (2) determined, on the basis

of the results of testing by FDA and USDA, whether these pesticides are returning to the United States as residues on imported goods. While we found that FDA's monitoring for such residues indicated that these problems are rare, we did discover that FDA lacked sufficient information to provide complete assurance that the problems were not occurring.

EPA08: Reform EPA's Contract Management Process

NPR recommends reform in EPA's contract management process by implementing performance standards and by maximizing competition in the contracting process.

GAO Comments

We agree that EPA should reform its contract management process. However, our work has identified other, more serious problems than the need to implement performance standards and maximize competition in the contracting process. Specifically, we have found that EPA and other agencies (1) rely extensively on contractors to carry out agency missions, (2) administer contracts ineffectively, (3) insufficiently oversee contract auditing, and (4) lack high-level management attention to and accountability for contract management.

EPA09: Establish a Blueprint for Environmental Justice Through EPA's Operations

EPA should develop a blueprint of actions that will incorporate environmental justice consideration into all aspects of EPA operations.

GAO Comments

In our view, there is merit in incorporating environmental justice considerations into all aspects of EPA's operations. We reviewed a sample of hazardous waste sites and found that African Americans made up the majority of the population in three of the four communities where the sites were located, suggesting a bias in the siting of these facilities. On the basis of Congress' and the administration's strong interest in this issue, we are conducting an ongoing review of environmental equity in the siting of solid and hazardous waste facilities.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

EPA02: Streamline EPA's Permit Program
Streamlining efforts include a permit clearinghouse to serve as a single point of contact and piloting a cross-program permit tracking system.

GAO Comments
Although the concept of streamlining the permit process appears to have merit, we have not to date assessed the benefits (or possible drawbacks) of establishing a permit clearinghouse or piloting a cross-program permit tracking system.

EPA11: Reorganize EPA's Office of Enforcement
EPA should initiate a reorganization of its headquarters' enforcement organization by October 1, 1993.

GAO Comments
Although we have identified long-standing enforcement problems within EPA and have examined alternative enforcement organizations for the agency, we have not made recommendations on preferred options. Instead, we examined what would be needed to successfully implement different options. For example, if the agency retains the current organization, it will have to adopt additional measures to ensure accountability and consistency in enforcement policies and practices. Likewise, if enforcement functions are consolidated some means—performance ratings, reporting mechanisms, or some other procedures—will have to be found to ensure accountability for program results.

Additional Areas of GAO Concern

On the basis of our work, we believe that the following additional areas—not addressed by NPR—warrant attention:

- To ensure that high-risk environmental problems receive appropriate resources, EPA should work with Congress to find opportunities to shift resources among its programs according to the level of risk involved.
- EPA should develop alternative financing approaches to help states and localities deal with their growing financial burdens in meeting their environmental responsibilities.
- EPA should review the results of its corrective actions to verify that the actions have been successful in ensuring accountability and addressing program weaknesses.

- To help improve the recovery of Superfund costs, EPA should develop the necessary information, such as documentation of negotiations with responsible parties and costs expended and recovered, to assess the adequacy of its efforts to return past expenditures to the trust fund.
- Data that EPA has available are often inadequate and poorly managed. EPA's information systems have been designed largely to accommodate EPA's compartmentalized approach to enforcing environmental laws. Nevertheless, some of the agency's highest priorities depend on using data in a much more integrated way.
- In light of long-standing contract management problems and EPA's historic heavy reliance upon contractors, EPA should review its mix of in-house and contract employees to determine whether this mix is in appropriate balance.

Related GAO Products

Environmental Protection Issues (GAO/OCG-93-16TR, Dec. 1992) relates to the overall summary; EPA07; and the issues of shifting resources according to level of risk, alternative financing approaches, verifying corrective actions, and information systems among the additional areas of GAO concern.

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991) relates to EPA01, EPA03, and EPA07.

Drinking Water: Stronger Efforts Needed to Protect Areas Around Public Wells From Contamination (GAO/RCED-93-96, Apr. 14, 1993) relates to EPA03.

Water Pollution: More Emphasis Needed on Prevention in EPA's Efforts to Protect Groundwater (GAO/RCED-92-47, Dec. 30, 1991) relates to EPA03.

Environmental Protection: Implications of Using Pollution Taxes to Supplement Regulation (GAO/RCED-93-13, Feb. 17, 1993) relates to EPA04.

Water Pollution: Pollutant Trading Could Reduce Compliance Costs if Uncertainties Are Resolved (GAO/RCED-92-153, June 15, 1992) relates to EPA04.

Water Pollution: Stronger Efforts Needed by EPA to Control Toxic Water Pollution (GAO/RCED-91-154, July 19, 1991) relates to EPA04 and EPA10.

Superfund: EPA Needs to Better Focus Cleanup Technology Development (GAO/T-RCED-93-34, Apr. 28, 1993) relates to EPA05.

Water Pollution: Alternative Strategies Needed to Reduce Wastewater Treatment Costs (GAO/T-RCED-92-84, Aug. 4, 1992) relates to EPA05.

Pesticides: Limited Testing Finds Few Exported Unregistered Pesticide Violations on Imported Food (GAO/RCED-94-1, Oct. 6, 1993) relates to EPA06.

Environmental Protection Agency: Protecting Human Health and the Environment Through Improved Management (GAO/RCED-88-101, Aug. 16, 1988) relates to EPA07.

Federal Contracting: Cost-Effective Contract Management Requires Sustained Commitment (GAO/T-RCED-93-2, Dec. 3, 1992) relates to EPA08.

Siting of Hazardous Waste Landfills and Their Correlation With Racial and Economic Status of Surrounding Communities (GAO/RCED-83-168, June 1, 1983) relates to EPA09.

Disinfectants: EPA Lacks Assurance They Work (GAO/RCED-90-139, Aug. 30, 1990) relates to EPA10.

Environmental Enforcement: EPA Cannot Ensure the Accuracy of Self-Reported Compliance Monitoring Data (GAO/RCED-93-21, Mar. 31, 1993) relates to EPA10.

Toxic Substances: EPA's Chemical Testing Program Has Not Resolved Safety Concerns (GAO/RCED-91-136, June 19, 1991) relates to EPA10.

Environmental Enforcement: Alternative Enforcement Organizations for EPA (GAO/RCED-92-107, Apr. 14, 1992) relates to EPA11.

Superfund Program Management (GAO/HR-93-10, Dec. 1992) relates to the issue of Superfund costs among the additional areas of GAO concern.

Executive Office of the President (EOP)

Overall Summary

In general, NPR's recommendations for improvements in the EOP are consistent with recommendations we have made in earlier reports and, if implemented, could result in increased productivity and better customer service and satisfaction throughout the government. For example, in our report on OMB's High Risk Program: Benefits Found but Greater Oversight Needed we found that while the Office of Management and Budget's (OMB) high-risk program has provided a needed focus within the agency on strengthening the operation of federal programs, there remains a need for a core staff with full-time responsibilities for overseeing OMB staff and agency efforts to independently confirm agency-reported progress. Our general management review of OMB, Managing the Government: Revised Approach Could Improve OMB's Effectiveness, found that OMB's attention to budget decisions has restricted its ability to effectively address major problems affecting the delivery of services by executive departments and agencies.

Our December 1992 transition series report on International Trade Issues addressed the increasingly critical role that international trade plays in the U.S. economy. This new economic environment requires careful examination of how government programs and policies at all levels affect the competitive position of our economy. We generally agree with recommendations for improved coordination and strategic planning among the various federal and state export promotion and trade policy agencies. The Office of the U.S. Trade Representative (USTR) is the appropriate focal point for trade policy issues that often involve government-to-government negotiations.

GAO Contacts

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676; Allan Mendelowitz, Director, International Trade, Finance, and Competitiveness Issues, General Government Division, (202) 512-4812.

Recommendations With Which GAO Agrees

EOP03: Strengthen the Office of U.S. Trade Representative's Coordination with State and Local Governments
The Trade Representative's Office should examine the trade policy needs of state and local governments and work with them on relevant issues.

GAO Comments
We agree with the need for the USTR to work with state and local trade officials regarding trade policy interests and priorities in order to identify

the most important areas to pursue in reducing foreign barriers to U.S. exports.

Recommendations With Which GAO Generally Agrees

EOP01: Delegate Routine Paperwork Review to the Agencies and Redeploy OMB's Resources More Effectively
These recommendations outline improvements to streamline the government's paperwork review process and reduce unnecessary burdens on agencies.

GAO Comments
We agree that OMB could delegate some routine paperwork reviews to agencies so that its limited resources could be used more effectively. Reducing OMB's paperwork burden could improve its ability to provide broad management support to agencies. However, we need more specific information concerning the standards and guidelines envisioned for this delegation in order to determine its overall effect on OMB and the agencies.

EOP05: Reinvent OMB's Management Mission
NPR recommends a series of actions by OMB to redirect resources to provide better management information for presidential decisionmaking.

GAO Comments
We have long advocated OMB's increased attention to its management role. OMB's leadership is important for dealing with the difficult problems within and across agencies. High level administration attention to OMB's management mission may result in maximizing OMB's leadership potential. However, we would need information on the actions proposed in order to comment on them.

EOP06: Improve OMB's Relationship With Other Agencies
This recommendation outlines methods by which OMB can work more effectively with agencies and with states.

GAO Comments
We clearly agree with this recommendation that OMB work with agencies to identify the most important management issues and the policies needed to address them. Our general management review of OMB found that the

agencies and OMB appear to operate best when a consultative, cooperative approach has been used in addressing management issues.

EOP07: Strengthen the Office of the U.S. Trade Representative's Trade Policy Coordination Process

These recommendations outline ways to improve the interagency trade policy coordination process.

GAO Comments

We strongly advocate improved coordination among federal international trade agencies. For example, export promotion programs are spread among several agencies, with little coordination occurring among them. The interagency Trade Promotion Coordination Committee in September 1993 proposed several areas where coordination can be improved. Implementing these proposals will require the continued attention of top policymakers.

EOP10: Conduct Qualitative Self-Reviews of Critical Administrative Processes

The Assistant to the President for Management and Administration should establish a formal program of ongoing, internal quality reviews of administrative processes in the EOP to save money and improve service.

GAO Comments

We agree with the need for continual assessments of administrative processes to improve service at less cost. However, we have not addressed this issue specifically in the EOP.

EOP11: Improve the Presidential Transition Process

Past difficulties with the presidential transition should be corrected by amendment of the Presidential Transition Act and related actions.

GAO Comments

We have not looked at this process recently. However, our past reviews of presidential transitions have recommended that Congress may wish to consider amendments to the Presidential Transition Act to provide for increased guidance on the use of and accountability for funds.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

EOP02: Modify the OMB Circular System
OMB should reinvigorate the process for the review, updating, and consolidation of management circulars. It should also develop uniform processes for developing circulars and for obtaining input during their development.

GAO Comments
We have not done work that addresses this recommendation.

EOP04: Improve Federal Advisory Committee Management
Discontinuing the "anti pass the hat" language annually inserted into appropriations acts would allow appropriate pooling of executive resources for certain multiagency projects.

GAO Comments
Removal of existing or perceived impediments to multiagency problem solving, which would result in more efficient and economic use of resources, may be beneficial depending on its applications. However, without more detailed information we are unable to consider the feasibility or effectiveness of this recommendation.

EOP08: Strengthen the Office of the U.S. Trade Representative's Negotiation Process
The Office of the USTR should implement various techniques for upgrading the negotiating skills of its employees and the analysis of the negotiation process itself.

GAO Comments
We believe that enhancing skills through training should be an important management concern. However, we have not done work to identify the specific negotiation training needs of USTR employees.

EOP09: Establish a Customer Service Bureau in the EOP
Using available resources, EOP management should establish a small, one-stop customer service bureau within the EOP.

GAO Comments
Reducing customer frustration by centralizing information activities should begin to restore the public's confidence in the government's ability to meet the public's needs. We have not, though, specifically addressed the feasibility of establishing such a customer service bureau within the EOP.

EOP12: Improve Administrative Processes
This recommendation outlines a series of steps to improve internal administrative processes within the EOP, including mail processing, paperwork flow, and supply management.

GAO Comments
We advocate the use of new technologies to streamline operations and improve service to the public. We have not assessed the need for improvements in mail processing, paperwork flow, and supply management at the EOP. However, our recent work at the White House indicates that improvements in personnel and procurement processes warranted attention to ensure that appropriate procurement practices are followed in a timely manner, and that personnel actions are processed accurately and promptly to avoid unnecessary retroactive corrections.

Additional Areas of GAO Concern

Another EOP entity—the Office of National Drug Control Policy (ONDCP)—has had questions raised about its effectiveness. While we believe there is a continuing need for a central planning agency to provide leadership to the nation's drug control efforts, ONDCP needs to improve its strained relationships with other agencies and develop better measures for assessing progress under national drug control strategies.

Related GAO Products

OMB's High Risk Program: Benefits Found but Greater Oversight Needed (GAO/AFMD-92-63, Aug. 6, 1992) relates to the overall summary.

International Trade Issues (GAO/OCG-93-11TR, Dec. 1992) relates to the overall summary.

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989) relates to the overall summary, EOP01, EOP05, and EOP06..

Paperwork Reduction: Mixed Effects on Agency Decision Processes and Data Availability (GAO/PEMD-89-20, Sept. 7 1989) relates to EOP01.

Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993) relates to EOP03 and EOP07.

Export Promotion Strategic Plan: Will it Be a Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993) relates to EOP03 and EOP07.

Export Promotion: Federal Programs Lack Organizational and Functional Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992) relates to EOP03 and EOP07.

Continuous Improvement: The Quality Challenge (GAO/QMG-93-1, Mar. 1993) relates to EOP10.

Presidential Transitions Effectiveness Act of 1988—H.R. 3932 (GAO/T-GGD-88-19, Mar. 16, 1988) relates to EOP11.

White House: Acquisition of Automated Resume Processing System (GAO/GGD-93-117, June 17, 1993) relates to EOP12.

Personnel Practices: Retroactive Appointments and Pay Adjustments in the Executive Office of the President (GAO/GGD-93-148, Sept. 9, 1993; GAO/T-GGD-94-32, Oct. 22, 1993) relates to EOP12.

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/GGD-93-144, Sept. 29, 1993) relates to additional areas of GAO concern.

Federal Emergency Management Agency (FEMA)

Overall Summary

NPR's recommendations on FEMA closely correspond to the positions we have taken in our reviews of federal disaster response in recent years, as well as to the issues identified in our December 1992 transition series report entitled Housing and Community Development Issues. In most disasters and emergencies, state, local, and volunteer resources are generally adequate to meet the immediate health and safety needs of the victims. However, as discussed in our reports on the federal response to Hurricanes Andrew and Iniki, in disasters of unusually large magnitude these resources can be overwhelmed. In such cases, only the federal government had the necessary resources to take care of the remaining unmet needs, and we found the initial federal response to be lacking.

We have made several recommendations to enhance the federal government's ability to respond to both catastrophic and noncatastrophic disasters in a more timely and effective manner and with the necessary resources. Concurrently, we think that the self-sufficiency of state and local governments in disaster response needs to be maximized, and we have made recommendations to enhance their preparedness.

GAO Contact

Judy A. England-Joseph, Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, (202) 512-7631.

Recommendations With Which GAO Agrees

FEMA01: Shift Emphasis to Preparing for and Responding to the Consequences of All Disasters

FEMA's early focus was on preparedness for nuclear war. The current world situation and recent natural disasters highlight the need for FEMA to continue to shift its resources to respond to all hazards.

GAO Comments

We support a shift in FEMA's program emphasis to a more all-hazards approach. For example, many of the assets and capabilities previously held for military contingencies in FEMA's former National Preparedness Directorate have been found to be very useful in other hazards, such as natural disasters. Similarly, affording state and local governments greater flexibility in the use of resources provided under authority of the Civil Defense Act can also enhance states' and localities' overall ability to respond to different types of emergencies.

FEMA02: Develop a More Anticipatory and Customer-Driven Response to Catastrophic Disasters

These recommendations should make FEMA respond faster and more effectively to catastrophic disasters.

GAO Comments

We support a quicker and more proactive federal response to meet the health and safety needs of victims when disasters are of such magnitude that the local infrastructure clearly cannot meet all the needs. While FEMA and the federal government have a role in the initial response to many presidentially declared disasters, the victims' immediate needs can generally be met with state, local, and volunteer resources. Unlike the bulk of disasters, catastrophic disasters overwhelm the ability of state, local, and voluntary agencies to adequately provide victims with essential services within 12 to 24 hours. FEMA needs a disaster unit whose primary mission is planning for and responding to catastrophic disasters. Among other things, the units should estimate the extent of damage and relief needs immediately following a disaster, then advise state and local officials of federal resources available to address these needs as well as the extent to which DOD resources will be needed to supplement the Red Cross in meeting needs for mass care. FEMA should also enhance the capacity of state and local governments to respond to such disasters by upgrading training and exercises in anticipation of catastrophic disaster and monitoring the states' and localities' preparedness.

Recommendations With Which GAO Generally Agrees

FEMA04: Develop a Skilled Management Team Among Political Appointees and Career Staff

Leadership has been the weak link in FEMA's mission as the federal government's emergency management coordinator. These recommendations strive to improve FEMA leadership to successfully implement its new, all-hazards mission.

GAO Comments

FEMA has a large number of political appointees relative to its size. FEMA's mission of disaster relief demands a uniquely strong management team with considerable professional experience to deal effectively with other federal agencies, state and local emergency managers, and volunteer organizations. Given the need for a high level of professionalism and experience, a reduction in the number of political appointees in key positions could be an important element in developing an effective management team.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

FEMA03: Create Results-Oriented Incentives to Reduce the Costs of a Disaster
The Midwest floods, Hurricanes Hugo and Andrew and the Loma Prieta Earthquake all illustrate the enormous costs of disaster to society. These recommendations will move toward reducing those costs.

GAO Comments
Creating results-oriented incentives to reduce the costs of disasters should be explored. The cost of federal disaster response and recovery assistance has increased dramatically in recent years. However, there are many possible causes for this increase, as well as many possible solutions. We have not reviewed these issues in sufficient depth to take a formal position.

Additional Areas of GAO Concern

None.

Related GAO Products

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992) relates to the overall summary, FEMA01, and FEMA02.

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993) relates to FEMA01 and FEMA02.

Disaster Assistance: DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar (GAO/NSIAD-93-180, June 18, 1993) relates to FEMA01 and FEMA02.

Disaster Assistance: Federal, State, and Local Response to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991) relates to FEMA01 and FEMA02.

Section 10

Department of Health and Human Services (HHS)

Overall Summary

As discussed in our December 1992 transition series report on Health and Human Services Issues, the new administration and the 103rd Congress will have to begin to deal with several significant social policy issues. Of paramount importance to this initiative will be the large number of HHS programs that are vital to virtually every American. Two primary HHS concerns are the delivery of health and welfare services to individuals; however, since the Clinton Administration has special, ongoing efforts dealing with these issues, they were not covered by NPR.

Over the past 5 years, we have issued a series of reports and testified on other HHS-related matters covered by NPR recommendations. Our intensive focus on the Social Security Administration (SSA) activities permits us to strongly support NPR recommendations related to this agency. With respect to SSA, we have issued numerous reports on service aspects of SSA programs such as phone service to the public, payment error rates, claims processing times, and customer satisfaction. Also, we have reported several times on the need for SSA to conduct continuing eligibility reviews of disability beneficiaries. Finally, we have issued several reports on how SSA processes, uses and shares death information to avoid erroneous payments from various social security trust funds.

In addition to our work regarding SSA activities, we have issued other reports that support NPR recommendations related to long-term care and food safety and quality. Also, our work on welfare programs supports NPR recommendations related to service integration. Further, our work in the area of management reviews leads to our support of NPR recommendations related to departmentwide management and the need to review office structure.

GAO Contacts

Janet L. Shikles, Assistant Comptroller General, Human Resources Division, (202) 512-6806; Joseph F. Delfico, Director, Income Security Issues, Human Resources Division, (202) 512-7215; and Sally Jaggar, Director, Health Financing and Policy Issues, Human Resources Division, (202) 512-7119.

Recommendations With Which GAO Agrees

HHS01: Promote Effective, Integrated Service Delivery for Customers by Increasing Collaborative Efforts
These recommendations outline a number of steps needed to better integrate and deliver social services to communities and families.

GAO Comments

On the basis of our work at the Administration on Aging (AOA), we found that more could be done to improve the long-standing problem of fragmented services for the elderly. We recommended that AOA compile and disseminate a directory of research and demonstration results to state and local agencies to promote better service integration. Furthermore, we recommended that AOA regional offices provide technical assistance to state and area agencies on aging to reduce service fragmentation.

Similarly, on the basis of our work on transportation for the elderly at AOA and the Department of Transportation (DOT), we found a persistent need to improve service coordination and collaboration between HHS and DOT. We recommended that HHS and DOT expand dissemination of information through various existing programs and provide on-site technical assistance to state and local agencies to help them apply this information to their own transportation programs.

HHS02: Reengineer the HHS Process for Issuing Regulations

HHS should improve the timeliness and quality of regulations issued and should involve stakeholders in the development of regulations.

GAO Comments

On the basis of our recent work at the Food and Drug Administration (FDA), we agree that HHS needs to improve the timeliness of regulations. We recommended the development of a single FDA tracking system to improve management oversight of the process. FDA agreed and is currently implementing that recommendation. Our work, however, did not analyze the quality of regulations or the degree of participation of affected interests.

We discussed problems in the regulatory process in our management review work at SSA in 1987 and in follow up work in 1989. SSA took a variety of actions to address problems caused by its procedures. We have done no further work to evaluate the effectiveness of changes made by SSA. In addition, other problems in the regulatory process over which SSA has limited control—complexity of issues and short effective dates in the law—remain a problem in regulatory development.

HHS03: Develop a National, Uniform Inspection System to Ensure a Safe Food Supply

Responsibility for food safety should be consolidated into a single agency, and policies and inspection systems should be implemented on an objective, scientific basis.

GAO Comments

In our view, creating a single food-safety agency responsible for administering a uniform set of laws is the most effective way for the federal government to resolve long-standing problems, deal with emerging food-safety issues, and ensure a safe food supply. The agency should espouse certain principles: a clear commitment by the federal government to consumer protection, adequate resources devoted to that purpose, and competent and aggressive administration of the laws. In addition, the agency needs adequate enforcement powers and should develop inspection methods that take into account the risk posed by the product. We did not take a position as to whether such consolidated responsibility should rest with FDA, the Department of Agriculture, or with a new agency.

HHS06: Improve Social Security Administration Disability Claims Processing to Better Serve People with Disabilities and Safeguard Trust Fund Assets

SSA should apply resources and management tools needed to reduce backlogs and to avoid paying benefits to individuals who are no longer disabled.

GAO Comments

We support this recommendation. In our view, the administration of SSA's disability programs has reached a crisis stage. Service is poor and billions of dollars in payments to ineligible individuals will be wasted if mandated continuing disability reviews are not resumed. SSA's short-term efforts to reduce the number of pending claims have been largely unsuccessful. Further, long-range SSA plans are uncertain about when and to what extent service will improve. However, SSA has begun a major reengineering effort to improve disability claims processing and staff productivity. We believe that the Secretary of HHS needs to act to address this crisis.

HHS07: Protect Social Security, Disability and Medicare Trust Fund Assets by Removing Barriers to Funding Productive Oversight Activities

HHS should aggressively pursue options to ensure that adequate investments are made to avoid unnecessary payments from trust funds.

GAO Comments

We strongly advocate these types of actions. Over the past several years, we have issued reports and testimonies discussing Medicare's declining investment in program safeguard efforts and concluded that funding declines contributed to hundreds of millions of dollars in program losses. We recommended that Congress consider modifying budget procedures so that Medicare safeguard funding could be increased without having to cut spending elsewhere. Under the Budget Enforcement Act of 1990, Congress provided for increasing appropriations for Internal Revenue Service (IRS) compliance activities without necessitating spending cuts elsewhere. We believe using IRS' method of funding compliance activities as a model for Medicare would better enable Congress to appropriate the funding needed for Medicare's safeguard activities. Congress enacted our recommendation in 1992, but the bill was vetoed by the President for other reasons.

HHS08: Coordinate Collection and Dissemination of Social Security Administration Death Information to Protect Federal Program Assets

SSA's clearinghouse for death information and "best practices" can be used by dozens of federal and state agencies to reduce federal program outlays.

GAO Comments

We agree that SSA should be the clearinghouse for federal death information. It is the primary collection point for notices of death coming from family members and friends of deceased individuals, as well as a recipient of death reports from the states, the Health Care Financing Administration, the State Department, and funeral homes across the country. This puts SSA in a unique position to provide to other federal and state programs the most comprehensive death data base currently available. We have ongoing work directed at finding opportunities to improve the completeness and accuracy of SSA's death records. This will improve the efficiency and effectiveness of using this information for other entities to control their benefit payments.

HHS09: Take More Aggressive Actions to Collect Outstanding Debts Owed to the Social Security Trust Fund

SSA should be given the authority to use a full range of debt collection tools available under the Debt Collection Act of 1982 to collect debts owed by individuals who are no longer on benefit rolls.

GAO Comments

We agree that there are several actions SSA could take that would improve its debt collection activities. Among these are the use of all the collection tools included in the Debt Collection Act of 1982, many of which have been denied to SSA because Congress in the past was concerned about aggressively collecting overpayments from the aged and disabled. We believe that collection agencies can routinely provide addresses of debtors to SSA and that SSA could apply interest and penalties to debtors in those situations where repayment will not be a financial hardship on the debtors. This would increase the reserves to the trust funds, create a more equitable situation in relation to those beneficiaries who do repay their debts, and provide an incentive for some debtors to repay their debts who currently do not.

HHS11: Redesign SSA Service Delivery and Make Better Use of Technology to Provide Improved Access and Services to Customers

SSA's organizational structure needs to be updated to reflect changing customer needs and to take full advantage of emerging technologies.

GAO Comments

We agree that SSA needs to redesign its service delivery system to make it more efficient and to improve public service. Our work has shown that SSA needs to produce a service delivery plan that spells out SSA's preferred methods of future service delivery, including the facilities it will need, where they should be located, and the human resources and automation that will be required to staff them. SSA agrees with our recommendations, but has not yet produced the needed plans.

HHS12: Strengthen Departmentwide Management

The department should conduct a review of its organizational structure and management systems to determine an appropriate balance between centralized and decentralized functions.

GAO Comments
We agree that the department needs to strengthen its departmentwide management. In our management review of HHS, we made a series of recommendations aimed at strengthening departmental management, including recommending the establishment of departmentwide strategic and workforce planning processes that considered the centralization and decentralization of departmental functions. Such processes logically should examine the balance between centralized and decentralized functions.

HHS13: Review the Field and Regional Office Structure of the HHS and Develop a Plan for Shifting Resources to Match Workload Demands
The review should emphasize customer service, results, and increased accountability.

GAO Comments
We agree that HHS needs to review its field and regional office structures. A series of reports related to SSA noted that staffing imbalances existed at its field offices and SSA needed to conduct a needs assessment and create work standards for its employees. One ongoing assignment has identified insufficient regional office staff to provide effective oversight of and services to states administering federal social service programs. Finally, we recommended in our management review of HHS that the department establish departmental strategic planning and workforce planning systems that should include reviewing the field and regional office structure and identifying a plan to shift resources accordingly.

Recommendations With Which GAO Generally Agrees

HHS05: Restructure the Management of Railroad Industry Benefit Programs
Railroad Retirement Board functions should be integrated into existing programs administered by federal, state, and private sector service providers.

GAO Comments
On the basis of our work in the area of railroad retirement benefits, we believe this recommendation has some merit. We believe that the social security equivalent portion of railroad retirement benefits should be transferred because presently social security funds are being used to fund non-social security related private pension features of railroad retirement.

Also, such a transfer would result in uniformity in the benefits being provided (presently benefits are not paid to dependent children under the rail program). Further, the private rail portion of railroad retirement benefits is not funded as are other private industry pensions and is not under the Employee Retirement Income Security Act, and rail workers are at risk because of a large unfunded actuarial liability that has resulted in federal "bailouts" during past periods of financial crisis. Finally, the rail unemployment insurance program has experienced financial problems in the past. This program is more liberal and subject to abuse than state programs, and it results in a duplication of an existing unemployment apparatus.

HHS10: Institute and Collect User Fees on FDA's Inspection and Approval Processes

Food, drug, and medical device manufacturers, processors and suppliers should be required to pay for FDA services.

GAO Comments

We have found numerous shortcomings in FDA approval and inspection procedures with regard to pharmaceuticals, over-the-counter drugs, and medical devices. To some extent, these are linked to resource problems. However, we have also found that FDA does not always have a sound basis for requesting and assigning new resources. As long as user fees supplement existing appropriations in the context of a strategic plan, they could provide needed help.

HHS14: Amend the Health Care Financing Administration's (HCFA) Contracting Authority to Allow for Competitive Contracting

HCFA should be authorized to fully and openly compete Medicare claims processing contracts to reduce costs and eliminate inefficiencies and conflicts of interest.

GAO Comments

We have reported that HCFA's current contracting authority, if properly used, allows for effective program management and provides sufficient opportunities to achieve administrative efficiencies. For a variety of reasons over the past decade, HCFA has made many changes to its contractor network. However, its experience with these changes has been mixed. The changes have frequently lead to disruptions in service to beneficiaries and providers, as well as increases in payment error rates

that exceeded administrative savings. We have consistently pointed out the importance of effective claims payment and safeguard activities because benefit payments represent 98 percent of Medicare expenditures. On the other hand, payments to contractors represent only a little more than 1 percent of Medicare costs. Thus, it is important to consider the effects a change in contracting methods would have on benefit costs, not just on administrative costs.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

HHS04: Reconfigure Support for Health Professions Education
Existing programs should be consolidated and/or eliminated.

GAO Comments
We have two ongoing assignments assessing the impact of federal programs and medical education practices on the supply of primary care physicians.

Additional Areas of GAO Concern

None.

Related GAO Products

Health and Human Services Issues (GAO/OCG-93-20TR, Dec. 1992) relates to the overall summary.

Integrating Human Services: Linking At-Risk Families with Services More Successful Than System Reform Efforts (GAO/HRD-92-108, Sept. 24, 1992) relates to HHS01.

Administration on Aging: More Federal Action Needed to Promote Service Coordination for the Elderly (GAO/HRD-91-45, Apr. 23, 1991) relates to HHS01 and HHS13.

Services for the Elderly: Longstanding Transportation Problems Need More Federal Attention (GAO/HRD-91-117, Aug. 21, 1992) relates to HHS01.

Welfare Programs: Ineffective Federal Oversight Permits Costly Automated System Problems (GAO/IMTEC-92-29, May 27, 1992) relates to HHS01.

Long Term Care Forum (GAO/HRD-93-1-SP, July 13-14, 1993) relates to HHS01.

Social Security: More Must Be Done to Credit Earnings to Individuals' Accounts (GAO/HRD-87-52, Sept. 18, 1987) relates to HHS02.

Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42, July 24, 1987) relates to HHS02.

FDA Regulations: Sustained Management Attention Needed to Improve Timely Issuance (GAO/HRD-92-35, Feb. 21, 1992) relates to HHS02.

Management of HHS: Using the Office of the Secretary to Enhance Departmental Effectiveness (GAO/HRD-90-54, Feb. 9, 1990) relates to HHS02, HHS12, and HHS13.

Food Safety and Quality: Uniform, Risk-based Inspection System Needed to Ensure Safe Food Supply (GAO/RCED-92-152, June 26, 1992) relates to HHS03.

Food Safety and Quality: Salmonella Control Efforts Show Need for More Coordination (GAO/RCED-92-69, Apr. 21, 1992) relates to HHS03.

Food Safety and Quality: Who Does What in the Federal Government (GAO/RCED-91-19A and 19B, Dec. 21, 1990) related to HHS03.

Railroad Retirement: Federal Financial Involvement (GAO/HRD-86-88, May 9, 1986) relates to HHS05.

Railroad Retirement: Future Rail Employment and Trust Fund Solvency (GAO/HRD-89-30, Apr. 5, 1989) relates to HHS05.

Social Security Disability: SSA Needs to Improve Continuing Disability Review Program (GAO/HRD-93-109, July 8, 1993) relates to HHS06.

Social Security: Rising Disability Rolls Raise Questions That Must Be Answered (GAO/T-HRD-93-15, Apr. 22, 1993) relates to HHS06.

Social Security: SSA Needs to Improve Service for Program Participants (GAO/T-HRD-93-11, Mar. 15, 1993) relates to HHS06.

Social Security Disability: Growing Funding and Administrative Problems (GAO/T-HRD-92-28, Apr. 27, 1992) relates to HHS06.

ADP Systems: SSA Efforts in Implementing Its Field Office Modernization (GAO/IMTEC-89-45, May 17, 1989) relates to HHS06.

Social Security: Increasing Number of Disability Claims and Deteriorating Service (GAO/HRD-94-11, Nov. 10, 1993) relates to HHS06.

Health Insurance: Vulnerable Payers Lose Billions to Fraud and Abuse (GAO/HRD-92-69, May 7, 1992) relates to HHS07.

Social Security: Reporting and Processing of Death Information Should Be Improved (GAO/HRD-92-88, Sept. 4, 1992) relates to HHS07 and HHS08.

Veterans Benefits: VA Needs Death Information From Social Security to Avoid Erroneous Payments (GAO/HRD-90-110, July 27, 1990) relates to HHS08.

Federal Benefit Payments: Agencies Need Death Information from Social Security to Avoid Erroneous Payments (GAO/HRD-91-3, Feb. 6, 1991) relates to HHS08.

Welfare Benefits: States Need Social Security's Death Data to Avoid Payment Error Fraud (GAO/HRD-91-73, Apr. 2, 1991) relates to HHS08.

Federal Agencies Need SSA's Death Information to Avoid Erroneous Payments (GAO/T-HRD-91-6, Feb. 6, 1991) relates to HHS08.

Debt Management: More Aggressive Actions Needed to Reduce Billions in Overpayments (GAO/HRD-91-46, July 9, 1991) relates to HHS09.

Social Security: Staff Reductions and Service Quality (GAO/HRD-88-97, May 13, 1988) relates to HHS11.

Social Security: Decision to Implement Nationwide 800 Telephone Service (GAO/HRD-88-120, May 21, 1988) relates to HHS11.

Welfare Reform: Alabama's Demonstration Project (GAO/HRD-88-129BR, Aug. 17, 1989) relates to HHS11.

Social Security: Staff Reductions and Service Quality (GAO/HRD-89-106BR, June 16, 1989) relates to HHS11.

Social Security Downsizing: Significant Savings but Some Service Quality and Operational Problems (GAO/HRD-91-63, Mar. 19, 1991) relates to HHS11.

Social Security: Measure of Telephone Service Accuracy Can Be Improved (GAO/HRD-91-69, Aug. 30, 1991) relates to HHS11.

Social Security: Telephone Busy Signal Rates at Local SSA Field Office (GAO/HRD-93-49, Mar. 4, 1993) relates to HHS11.

Social Security: Need to Improve Post-Entitlement Service to the Public (GAO/HRD-93-21, May 7, 1993) relates to HHS11.

Department of Housing and Urban Development (HUD)

Overall Summary

Our December 1992 transition series report entitled Housing and Community Development Issues identified major issues that must be addressed if HUD is to more successfully carry out its mission of providing decent, safe, and affordable housing to all Americans and revitalizing the nation's cities. Our work over the past several years has centered on assessing HUD's efforts in meeting the agency's mission and identifying and evaluating alternatives to current programs.

Overall, NPR's recommendations are in line with the focus and direction of reforms we have supported in this area. As such, we basically agree with the direction in which NPR is trying to go. As we see it, the thrust of the recommendations is built on core principles such as better resource utilization, improved program delivery, and streamlined management processes and organizational structure. If properly implemented, these initiatives could be of substantial help to the agency in better meeting its mission.

GAO Contact

Judy England-Joseph, Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, (202) 512-7631.

Recommendations With Which GAO Agrees

HUD09: Consolidate Section 8 Certificates and Vouchers
This recommendation would consolidate two overlapping projects to eliminate duplication.

GAO Comments
We support the concept of merging these two similar rental housing subsidy programs that have similar income eligibility criteria, somewhat similar subsidy mechanisms, and similar reliance on privately owned housing.

Recommendations With Which GAO Generally Agrees

HUD01: Reinvent Public Housing
HUD should create pilot programs to devolve greater authority over housing funds to sound local agencies. It should create demonstrations of mixed-income public housing with portable subsidies. HUD should also streamline public housing rules and take other steps to improve public housing management.

GAO Comments
We support the creation of pilot programs to allow sound housing

agencies greater authority over their operations. Similarly, mixed-income demonstrations would be a first step toward returning the public housing program to its original concept of serving mixed-income populations. Finally, streamlining public housing rules should benefit well-managed housing agencies. However, the details on how this initiative would be implemented are critical. Therefore, we have some concerns about how this would be done.

HUD02: Improve Multi-Family Asset Management and Disposition
HUD should use public-private partnerships to manage and sell HUD-held loans and real estate for nonsubsidized housing projects. Congress should reduce restrictions on HUD's sale of multifamily properties, including the use of portable subsidies for tenants when the Secretary determines that to be best for tenant needs.

GAO Comments
We support increased flexibility in HUD's multifamily asset management and disposition programs, including the option to use public-private partnerships to manage and sell HUD-held loans and real estate for nonsubsidized housing projects. There may be instances, however, in which other methods to perform these actions are more feasible; for example, demonstration programs with other federal entities, such as the Resolution Trust Corporation. We also generally support the option of disposing of properties by reducing restrictions on HUD's sale of multifamily housing projects. However, the Secretary should use this option on a property-by-property basis, taking into consideration the needs of the tenants, the physical condition of the property, and the local housing market. In addition, we do not think that HUD should be required to use 15-year section 8 project-based subsidies for all properties, as is now the case, because of the significant budgetary costs. We support other options, such as using rent restrictions and lowering the sales price of the property, to dispose of HUD's multifamily properties.

HUD03: Improve Single-Family Asset Management and Disposition
HUD should use a combination of early assistance to borrowers having financial difficulties, contract loan servicing, contract mortgage assistance programs, and public-private partnerships to streamline and improve management of HUD-assigned single-family mortgages.

GAO Comments

On the basis of our ongoing work in this area, we support efforts to streamline and improve the management of HUD's single-family asset management and property disposition activities. This area of HUD's operations has continually been a problem for the agency.

HUD04: Create an Assisted-Housing/Rent Subsidy Demonstration Project

HUD should be authorized to experiment in negotiated restructuring of privately owned assisted-housing projects to improve management, promote mixed-income housing, and save taxpayer funds.

GAO Comments

Allowing HUD to experiment with its assisted-housing program in order to promote mixed-income housing and save money is worth exploration. However, we have no specific information on this recommendation.

HUD05: Establish a New Housing Production Program

HUD should stimulate housing production through Federal Housing Administration (FHA) risk-sharing arrangements with housing finance agencies, stimulate a secondary market for multifamily properties, improve access to FHA insurance for first-time home buyers, provide special FHA programs to revitalize neighborhoods, and improve FHA management.

GAO Comments

We support the portion of this recommendation dealing with multifamily housing. Providing risk-sharing arrangements for multifamily housing through FHA (via federal credit enhancements) can increase the availability of capital by promoting an expanded secondary market for multifamily mortgages, particularly mortgages for affordable multifamily housing. However, we are concerned about the portion of the recommendation calling for improved access to FHA for first-time home buyers. If the intent of this part of the recommendation is to let buyers who do not currently qualify into the program, the financial condition of the insurance fund supporting the program could be undermined.

HUD06: Streamline HUD Field Operations
HUD should streamline its Washington, regional and field office structure and consolidate and reduce its size over time.

GAO Comments
We support the principle behind this recommendation. Many studies, including some GAO studies, have reported on problems with HUD's organizational structure and resource deployment. To the extent that the proposed streamlining results in an organization with better accountability, coordination, and service delivery, it could address many of the problems that HUD has historically experienced. However, without more details, it is difficult to determine whether and how the proposal would accomplish this.

HUD07: Refinance Section 235 Mortgages
HUD should use incentive contracts to speed savings from refinancing expensive old mortgages subsidized by HUD.

GAO Comments
We support efforts to reduce any unnecessary interest rate subsidies being paid under this program. It is not clear at this time whether the incentive contracts referred to in this recommendation are the best way to accomplish this.

HUD08: Reduce Section 8 Contract Rent Payments
HUD should modify its process to reduce unjustified increases in annual payments to Section 8 projects.

GAO Comments
We support eliminating unjustified increases in annual payments to section 8 projects. However, we have no information on how pervasive this problem is. The difficulty will be in determining just what "unjustified" rental increases are.

HUD10: Reduce Operating Subsidies for Vacancies
This recommendation would encourage public housing agencies to make better use of their assets by reducing subsidies paid for unjustifiably vacant units.

GAO Comments

We support the thrust of this recommendation. In fact, HUD currently allocates operating subsidies to public housing agencies on a formula basis and has a policy of reducing subsidies for public housing agencies with "excess" vacancies. However, we have no information on the extent to which this policy is encouraging public housing agencies to make better use of their assets.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

None.

Related GAO Products

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992) relates to the overall summary.

Public Housing: Housing Persons With Mental Disabilities With the Elderly (GAO/RCED-92-81, Aug. 12, 1992) relates to HUD01.

Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses (GAO/RCED-91-40A, Mar. 26, 1991) relates to HUD01.

Public Housing: HUD's Approval for Country Creek Housing Project, Dallas, Texas (GAO/RCED-90-30, Oct. 20, 1989) relates to HUD01.

Public Housing: Chicago Housing Authority Taking Steps to Address Longstanding Problems (GAO/RCED-89-100, June 8, 1989) relates to HUD01.

Public Housing: HUD Oversight of the Annapolis Housing Authority (GAO/RCED-89-145, June 5, 1989) relates to HUD01.

Public Housing: Problems Continue to Plague the Cuyahoga Metropolitan Housing Authority (GAO/RCED-88-122, Apr. 20, 1988) relates to HUD01.

Multifamily Housing: Impediments to Disposition of Properties Owned by HUD (GAO/T-RCED-93-37, May 12, 1993) relates to HUD02.

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains (GAO/RCED-92-46, Jan. 31, 1992) relates to HUD02, HUD03, and HUD06.

HUD Reforms: Limited Progress Made Since the HUD Scandals (GAO/T-RCED-91-62, June 12, 1991) relates to HUD02, HUD03, and HUD06.

Home Ownership: Loan Policy Changes Made to Strengthen FHA's Mortgage Insurance Program (GAO/RCED-91-61, Mar. 1, 1991) relates to HUD03 and HUD05.

Impact of FHA Loan Policy Changes on Financial Losses and Homebuyers (GAO/T-RCED-90-95, July 10, 1990) relates to HUD03 and HUD05.

Impact of FHA Loan Policy Changes on Its Cash Position (GAO/T-RCED-90-70, June 6, 1990) relates to HUD03 and HUD05.

Housing Finance: Expanding Capital for Affordable Multifamily Housing (GAO/RCED-94-3, Oct. 27, 1993) relates to HUD05.

Mortgage Credit Enhancements: Options for FHA in Meeting the Need for Affordable Multifamily Housing (GAO/T-RCED-92-52, Apr. 3, 1992) relates to HUD05.

Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management (GAO/RCED-84-9, Jan. 10, 1984) relates to HUD06.

Rental Housing: Housing Vouchers Cost More Than Certificates but Offer Added Benefits (GAO/RCED-89-20, Feb. 16, 1989) relates to HUD09.

Public Housing: Management Issues Pertaining to the Buffalo Municipal Housing Authority (GAO/RCED-91-70, Mar. 1, 1991) relates to HUD10.

Intelligence Community (INTEL)

Overall Summary

The U.S. Intelligence Community grew up and matured during the Cold War years. However, with the breakup of the Soviet Union and the dissipation of the threat of global nuclear war, the several intelligence agencies are facing a difficult, but necessary, redirection of their scope and resources. This change in course is necessary to improve support to customers of intelligence and to operate efficiently within reduced budgets.

At this time, few details are available on NPR's seven Intelligence Community recommendations. However, the recommendations clearly deal with the dominant issues that Congress, the National Security Council, the Director of Central Intelligence, the Secretary of Defense, and other decisionmakers should address. If the goals of NPR's recommendations are achieved, the Intelligence Community and its customers would be well served.

GAO Contact

Richard Davis, Director, National Security Analysis Issues, National Security and International Affairs Division, (202) 512-3504.

Recommendations With Which GAO Agrees

INTEL03: Reassess Information Collection to Meet New Analytical Challenges
The analytical issues the Intelligence Community faces are far more diverse and complex today, requiring new focus and new techniques to meet the intelligence needs of policymakers.

GAO Comments
We have performed both classified and unclassified reviews of specific intelligence systems and portions of the intelligence force structure. Our work has shown that DOD has made mixed progress in adjusting its information collection systems, and opportunities exist for further adjustments.

Recommendations With Which GAO Generally Agrees

INTEL02: Enhance Community Responsiveness to Customers
A 40-year emphasis on the Soviet Union allowed the Intelligence Community to develop a repertoire which was not dependent on a close relationship with its customers. That is no longer the case today, and NPR makes recommendations for improvements in this area.

GAO Comments
See comments for INTEL04.

INTEL04: Integrate Intelligence Community Information Management Systems
The Intelligence Community lacks the connectivity and interoperability in its information systems to do its job efficiently and effectively.

GAO Comments
While we have not done work specific to the subjects of INTEL02 and INTEL04, the overall body of work we have performed lends credence to the deficiencies highlighted by these recommendations.

INTEL07: Improve Support to Ground Troops During Combat Operations
Numerous studies of intelligence support during the Gulf War focused on agency or service-specific support issues. This issue outlines a reinvention lab effort that proposes an integrated approach to studying support to ground forces during combat operations.

GAO Comments
On the basis of several GAO reports on specific intelligence programs that improve support to ground troops during combat operations, and DOD's lessons learned from Operation Desert Storm, we agree with NPR's goal of improving intelligence support to combat operations. However, we have no knowledge of the particular "reinvention lab effort" proposed by NPR.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

INTEL01: Enhance Intelligence Community Integration
The end of the Cold War and the constrained fiscal environment in the United States create an imperative for the 13 components of the Intelligence Community to act more effectively and more efficiently as a team.

GAO Comments
While we are not in a position to comment on this recommendation, we

have recently begun a review of DOD's reorganization of military intelligence which will assess DOD's progress in having the several defense intelligence agencies work more closely together.

INTEL05: Develop Integrated Personnel and Training Systems
This recommendation focuses on organizational development and training issues within the Intelligence Community.

GAO Comments
We are conducting a classified review of language training and personnel management issues involving intelligence linguists, which may provide some insight into the benefits of integrated personnel and training systems.

INTEL06: Merge the President's Intelligence Oversight Board with the President's Foreign Intelligence Advisory Board
The roles of these two oversight bodies are sufficiently similar that small savings and some efficiencies can be achieved by combining them.

GAO Comments
These two boards are part of the internal operations of the White House. We have not reviewed their activities and therefore cannot comment on the merits of this recommendation.

Additional Areas of GAO Concern

None.

Related GAO Products

In addition to the reports listed below, we have produced several classified reports that address the issues raised by NPR's INTEL03 and INTEL07 recommendations.

Undersea Surveillance: Navy Continues to Build Ships Designed for Soviet Threat (GAO/NSIAD-93-53, Dec. 3, 1992) relates to INTEL03.

Army Force Structure: The Relocation of the 513th Military Intelligence Brigade (GAO/NSIAD-94-15, Oct. 7, 1993) relates to INTEL07.

Intelligence Programs: New RC-135 Engines Can Reduce Cost and Improve Performance (GAO/NSIAD-92-305, Aug. 25, 1992) relates to INTEL07.

Defense Management: Stronger Oversight of Joint Service Imagery Processing System Needed (GAO/NSIAD-91-164, July 26, 1991) relates to INTEL07.

Tactical Intelligence: Army's Mohawk Surveillance Radar Program Restructure (GAO/NSIAD-90-156, May 11, 1990) relates to INTEL07.

Department of the Interior (DOI)

Overall Summary

In our December 1992 transition series report entitled Natural Resources Management Issues we concluded that the administration faces a difficult choice: It must find new sources of funding for the agencies responsible for managing natural resources or find ways for these agencies to operate more efficiently, or it must make further cutbacks in the agencies' services or standards for maintaining facilities and lands. We based this conclusion on findings that (1) the condition of federal lands is deteriorating and the existing infrastructure on these lands—approaching $200 billion in value—is in a growing state of disrepair and (2) the agencies' staffs are being asked to assume increasing responsibilities and to perform more duties.

If properly implemented, NPR's recommendations for the Department of the Interior should not only provide an infusion of new funding for natural resources management but also allow the responsible agencies to operate more efficiently. However, in our view many of these recommendations—such as promoting entrepreneurial management, obtaining a fair return for federal resources, rationalizing federal land ownership, and improving land acquisition policies—also apply to the U.S. Department of Agriculture's Forest Service. Therefore, we think that in addition to the statutory restrictions identified by NPR, existing institutional barriers must also be eliminated if cross-agency activities are to be effectively addressed. Implementation of NPR's recommendation to develop cross-agency ecosystem planning and management (ENV02) may provide an approach for addressing this issue.

GAO Contact

James Duffus III, Director, Natural Resources Management Issues, Resources, Community, and Economic Development Division, (202) 512-7756.

Recommendations With Which GAO Agrees

DOI02: Redefine Federal Oversight of Coal Mine Regulation
To overcome organizational problems that inhibit an effective state-federal relationship, federal oversight of coal mine regulations should be redefined.

GAO Comments
We endorse a reevaluation of the regulatory structure and the state-federal relationship. Because this area has largely been managed by the states with policy direction by the federal government, achieving a balanced approach that satisfies the divergent interests has been difficult.

DOI03: Establish a National Spatial Data Infrastructure

By supporting a cross-agency coordinating effort, the federal government can develop a coherent vision for the national spatial data infrastructure (NSDI). (Spatial or geographic data refers to information that can be placed on a map.) This will allow greatly improved information analysis in a wide range of areas, including the analysis of environmental information and the monitoring of endangered animals and sensitive land areas.

GAO Comments

We have reported that the use of geographic information systems by federal agencies is growing. However, (1) many agencies have neither official mechanisms nor programs in place to coordinate their projects or to cooperate with other federal, state, or local agencies and (2) most agencies have not developed written policies on these systems or instructions for disposing of spatial data. Therefore, we support the development of a coherent vision for the NSDI. We also note that DOI has undertaken a research effort called "gap analysis" that seeks to identify the degree to which all native plant and animal species and natural communities are or are not represented in areas that are being managed for the long-term maintenance of these species.

DOI04: Promote Entrepreneurial Management of the National Park Service

The Park Service should be allowed to raise additional revenues from appropriate sources and to use a portion of the money for investment in park infrastructure. This proposal would increase selected park entry fees and would increase fees on park concessioners.

GAO Comments

We endorse the concept of park units' raising additional revenues that could be used to invest in park infrastructure. Over the past several years, we have identified an almost $2 billion cumulative shortfall in funds for park maintenance, as well as opportunities to (1) increase the fees that concessioners pay the government and (2) improve the pricing of user fees at recreational sites. However, the need to eliminate the backlog in deferred maintenance, as well as opportunities to obtain a better return for the sale or use of natural resources on federal lands, apply to all federal land-managing agencies. Therefore, this recommendation should not be limited to the National Park Service.

DOI05: Obtain a Fair Return for Federal Resources
The federal government should institute reforms to guarantee a fair return for federal resources such as livestock grazing and hardrock mining. Some of the programs regulating the commercial sale and use of natural resources on federal lands operate at a loss to the taxpayers and fail to provide incentives for good stewardship practices. The administration should also develop a new fee schedule for communications sites on DOI and U.S. Department of Agriculture lands.

GAO Comments
In our view, the federal government should (1) seek a better return for the sale or use of the mineral, renewable, and other natural resources on its lands; (2) cover the cost of programs to a reasonable extent and convert some programs into producers of revenue rather than contributors to the national debt, as they are now; and (3) provide a revenue base that can be used to better manage and improve federal lands so that they will remain a viable public resource in the future. In addition to addressing livestock grazing and hardrock mining issues, we have identified the need to reform federal policies and practices on water and timber and to change the basis on which federal land-managing agencies share revenues with states and counties.

DOI08: Improve Mineral Management Service Royalty Collections
Better management of DOI's royalty collection program would increase revenues and improve efficiency.

GAO Comments
We endorse better management of DOI's strategy for auditing royalty payors. Ideally, such a strategy would consist of systematic and field-based activities for monitoring and correcting the major components of the royalty equation. However, problems with DOI's automated systems have prevented the Department from ensuring correct reporting. Furthermore, its field-based royalty compliance audits do not provide reasonable assurance that royalty payors comply with applicable laws, rules, and regulations. DOI also needs to improve its verification program for both onshore and offshore oil and gas production.

DOI12: Create a New Mission for the Bureau of Reclamation
The Bureau of Reclamation needs to redefine its mission toward new environmental priorities and clarify its role in water management. The

original mission to develop water resources and provide for economic development of the West is almost complete.

GAO Comments
We agree that Reclamation's era of dam building is over and support efforts to downsize the agency or change its mission. However, previous proposals to cut Reclamation's workforce have not been successful, and history has shown that any change must take place with the full involvement of Congress. In addition, the development of a long-term framework for water resources management, development, and protection must be consistent with DOI's efforts to implement other NPR recommendations, such as rationalizing federal land ownership (DOI06) and consolidating administrative and programmatic functions (DOI10).

DOI14: Enhance Environmental Management by Remediating Hazardous Material Sites
The time is right to integrate skills across bureau boundaries in the remediation of DOI's hazardous materials sites. The high cost of remediation requires DOI to make maximum use of existing resources.

GAO Comments
The pace of assessing and evaluating federal hazardous waste sites has been slow. We think that DOI and EPA should work together to identify and take action to remediate sites. The high cost of remediation makes it imperative that DOI make the best use of its resources across bureau boundaries.

Recommendations With Which GAO Generally Agrees

DOI01: Establish a Hard Rock Mine Reclamation Fund to Restore the Environment
To address health and safety threats and environmental damage caused by toxic metal and chemical leaching from abandoned mines, the federal government should establish a hardrock mine reclamation fund.

GAO Comments
We endorse the concept of ensuring that threats to health and safety and environmental damage resulting from hardrock mining are remedied. However, we have not addressed the issue of establishing a federal program and a funding source to ensure that past hardrock mining problems on federal, state, and private lands are remedied.

DOI06: Rationalize Federal Land Ownership
DOI needs to reinvent the way it manages and acquires federal lands. Due to historical patterns of settlement and development of this country, adjoining federal lands often fall under the jurisdiction of several federal agencies. To the degree possible, this should be corrected based on the principle of ecosystem management.

GAO Comments
We agree with the thrust of this recommendation and note that management of federal lands has been handicapped by the number and diversity of agencies involved. DOI's nine highly decentralized and autonomous agencies and the USDA's Forest Service often have overlapping jurisdictions and different and conflicting missions. Moreover, there is currently no system for coordinating the management of federal lands, even when such lands are adjacent to each other and part of a single ecosystem. DOI and the Forest Service need to reassess the way they do business throughout their fragmented organizations and rethink the traditional functional and organizational alignment.

DOI07: Improve the Land Acquisition Policies of the DOI
The Secretaries of Interior and Agriculture and the Director of the OMB should modify the process for determining land acquisition priorities and procedures. The new system should reflect major objectives of federal land acquisition, including outdoor recreation resources, resource protection, and resource and cultural heritage protection.

GAO Comments
In our opinion, the funds available each fiscal year for land acquisition should be allocated to the highest priorities. This approach would require not only the establishment of clear goals and objectives but also a consolidated ranking of proposals from all the federal land-managing agencies.

DOI09: Establish a System of Personnel Exchanges in DOI
A change in management philosophy is needed to address bureaucratic barriers at DOI. This recommendation outlines various approaches to this problem.

GAO Comments
We support efforts to address the structural barriers among DOI's nine

autonomous bureaus and between these bureaus and the USDA's Forest Service. We note that pending legislation to establish a National Biological Survey within DOI as an independent, nonregulatory source of information on the nation's biological resources appears to be a step in this direction. We hypothesize that a similar approach could provide greater integration and increased efficiency in the management of federal lands as well.

DOI10: Consolidate Administrative and Programmatic Functions in DOI

To manage its bureaus effectively, DOI needs to reduce duplicative services. By consolidating administrative and programmatic functions, DOI can improve customer service, promote efficiency, and reduce costs.

GAO Comments

Although limited in scope, our work on consolidating administrative and programmatic functions supports this recommendation. For example, in a 1988 report we noted that duplication of administrative functions reduced program efficiency for environmental studies of the outer continental shelf in Alaska. We recommended, and DOI implemented, an alternative that consolidated these functions, saving about $800,000 in fiscal years 1991 and 1992. DOI's Inspector General has found similar instances of duplication and overlap within DOI's Bureau of Land Management.

DOI11: Streamline Management Support Systems in DOI

To create a quality management culture, DOI should streamline its management support systems, including telecommunications, procurement, financial management, and paperwork control.

GAO Comments

We support efforts to improve DOI's management support systems. Our previous work has identified instances of long-standing internal control weaknesses within DOI, and DOI's Inspector General has found inadequate accountability for the Bureau of Land Management's personal property.

DOI13: Improve the Federal Helium Program

The federal government needs to reexamine its role in the federal helium program. The program can be run more efficiently, reducing outlays by federal helium customers and increasing revenue. To obtain maximum

benefit from helium operations, the government should cancel the helium debt, reduce costs, increase efficiencies in helium operations, and increase sales of crude helium as market conditions permit.

GAO Comments

We agree that because conditions have changed since the Helium Act of 1960 was passed, the act's objectives should be reassessed. We have recommended canceling the helium debt because doing so would not adversely affect the federal budget and would allow for a more realistic assessment of what the federal government's role should be in meeting federal helium needs. In addition, we think that before the act is altered to address the changes that have occurred, consideration must be given to the interrelationship of the act's objectives. For example, a decision to sell the federal helium inventory would probably put an end to the private crude helium industry. We have not examined the efficiency of federal helium operations.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

In our view, the Secretary of the Interior and Assistant Secretary for Indian Affairs need to (1) seek alternatives to reconciliations of Tribal and Individual Indian Money Trust Fund accounts for periods for which records are not available and (2) develop a proposal for satisfactorily resolving trust fund account balances with the account holders. Bureau of Indian Affairs management needs to develop a strategic plan for improving trust fund management, including an assessment of mission and organization, staffing, and financial management systems.

Related GAO Products

Natural Resources Management Issues (GAO/OCG-93-17TR, Dec. 1992) relates to the overall summary, DOI04, and DOI05.

Mineral Resources: Hardrock Mining Reclamation (GAO/T-RCED-93-67, Aug. 5, 1993) relates to DOI01.

Importance of Financial Guarantees for Ensuring Reclamation of Federal Lands (GAO/T-RCED-89-13, Mar. 7, 1989) relates to DOI01.

Federal Land Management: An Assessment of Hardrock Mining Damage (GAO/RCED-88-123BR, Apr. 19, 1988) relates to DOI01.

Public Lands: Interior Should Ensure Against Abuses From Hardrock Mining (GAO/RCED-86-48, Mar. 27, 1986) relates to DOI01.

Abandoned Mine Reclamation: Interior May Have Approved State Shifts to Noncoal Projects Prematurely (GAO/RCED-91-162, June 7, 1991) relates to DOI02.

Surface Mining: Office of Surface Mining Response to Management Review Recommendations (GAO/RCED-89-82FS, Feb. 22, 1989) relates to DOI02.

Surface Mining: States Not Assessing and Collecting Monetary Penalties (GAO/RCED-87-129, June 5, 1987) relates to DOI02.

Surface Mining: Interior Department and States Could Improve Inspection Programs (GAO/RCED-87-40, Dec. 29, 1986) relates to DOI02.

Geographic Information Systems: Information on Federal Use and Coordination (GAO/IMTEC-91-72FS, Sept. 27, 1991) relates to DOI03.

Federal Land: Little Progress Made in Improving Oversight of Concessioners (GAO/T-RCED-93-42, May 27, 1993) relates to DOI04.

Forest Service: Difficult Choices Face the Future of the Recreation Program (GAO/RCED-91-115, Apr. 15, 1991) relates to DOI04.

Recreation Concessioners Operating on Federal Lands (GAO/T-RCED-91-16, Mar. 21, 1991) relates to DOI04.

Parks and Recreation: Park Service Managers Report Shortfalls in Maintenance Funding (GAO/RCED-88-91BR, Mar. 21, 1988) relates to DOI04.

Mineral Resources: Value of Hardrock Minerals Extracted From and Remaining on Federal Lands (GAO/RCED-92-192, Aug. 24, 1992) relates to DOI05.

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed (GAO/RCED-91-175, Aug. 22, 1991) relates to DOI05.

Rangeland Management: Current Formula Keeps Grazing Fees Low (GAO/RCED-91-185BR, June 11, 1991) relates to DOI05.

Forest Service Needs to Improve Efforts to Reduce Below-Cost Timber Sales (GAO/T-RCED-91-43, Apr. 25, 1991) relates to DOI05.

Federal Land Management: The Mining Law of 1872 Needs Revision (GAO/RCED-89-72, Mar. 10, 1989) relates to DOI05.

Federal Land Acquisition: Land Exchange Process Working but Can Be Improved (GAO/RCED-87-9, Feb. 5, 1987) relates to DOI06.

Royalty Compliance: Improvements Made in Interior's Audit Strategy, but More Are Needed (GAO/RCED-93-3, Oct. 29, 1992) relates to DOI08.

Mineral Revenues: Progress Has Been Slow in Verifying Offshore Oil and Gas Production (GAO/RCED-90-193, Aug. 31, 1990) relates to DOI08.

Mineral Revenues: Shortcomings in Onshore Federal Oil and Gas Production Verification (GAO/RCED-90-99, June 26, 1990) relates to DOI08.

Offshore Oil and Gas: Environmental Studies Program Meets Most User Needs but Changes Needed (GAO/RCED-88-104, June 29, 1988) relates to DOI10.

Bureau of Indian Affairs: Long-Standing Internal Control Weaknesses Warrant Congressional Attention (GAO/RCED-92-118, May 8, 1992) relates to DOI11.

Management of Artwork: Steps Taken to Preserve and Protect Bureau of Reclamation's Collection (GAO/RCED-92-92, Feb. 28, 1992) relates to DOI11.

Mineral Resources: Meeting Federal Needs for Helium (GAO/T-RCED-93-44, May 20, 1993) relates to DOI13.

Mineral Resources: Meeting Federal Needs for Helium (GAO/RCED-93-1, Oct. 29, 1992) relates to DOI13.

Mineral Resources: Federal Helium Purity Should be Maintained (GAO/RCED-92-44, Nov. 8, 1991) relates to DOI13.

Superfund: Backlog of Unevaluated Federal Facilities Slows Cleanup Efforts (GAO/RCED-93-119, July 20, 1993) relates to DOI14.

Financial Management: Creation of Bureau of Indian Affairs' Trust Fund Special Projects Team (GAO/AIMD-93-74, Sept. 21, 1993) relates to additional areas of GAO concern.

Financial Management: Status of BIA's Efforts to Resolve Long-Standing Trust Fund Management Problems (GAO/T-AFMD-93-8, June 22, 1993) relates to additional areas of GAO concern.

Financial Management: BIA's Management of the Indian Trust Fund (GAO/T-AIMD-93-4, Sept. 27, 1993) relates to additional areas of GAO concern.

Financial Management: Problems Affecting BIA Trust Fund Financial Management (GAO/T-AFMD-92-12, July 2, 1992) relates to additional areas of GAO concern.

Financial Management: BIA Has Made Limited Progress in Reconciling Trust Accounts and Developing a Strategic Plan (GAO/AFMD-92-38, June 18, 1992) relates to additional areas of GAO concern.

Department of Justice (DOJ)

Overall Summary

As discussed in our December 1992 transition series report on Justice Issues, during the last decade federal, state, and local governments have substantially increased funding for law enforcement as a result of mounting public concern over crime (especially drugs and violence). Despite committing billions to the criminal justice system and filling the nation's jails and prisons, the expectation of reduced vulnerability to crime has not been achieved. Furthermore, inaccurate financial data, unrealiable financial and information systems, and poor internal controls could result in the loss of millions of dollars. Given the existing criminal threat and tight budget environment, government policymakers need to focus on getting the most from the existing criminal justice system resources by exploring ways to (1) strengthen the Department of Justice's leadership and management functions; (2) better investigate and prosecute white collar crime; (3) make needed immigration policy and management decisions; (4) respond to a rapid rise in the federal prison population; and (5) make antidrug efforts more effective.

NPR's recommendations are targeted to improving the criminal justice system in each of these five areas. For example, NPR is seeking to strengthen the Attorney General's oversight of law enforcement activities, and consolidate some activities, as a means to improve the coordination and structure of federal law enforcement. We support such efforts, but in the search for increased efficiency and effectiveness, it should be recognized that some fragmentation and inefficiencies in the criminal justice system represent a trade-off for avoiding abuses that history has shown may occur from too much centralized police authority.

GAO Contact

Henry R. Wray, Director, Administration of Justice Issues, General Government Division, (202) 512-5156.

Recommendations With Which GAO Agrees

DOJ02: Improve Border Management
Federal border management should be significantly improved. NPR recommends a series of actions to be taken by Customs and INS to make these improvements.

GAO Comments
Customs and INS have a long history of interagency rivalry, poor coordination, and ineffective cooperation, despite sharing responsibility for primary inspections at land border ports of entry. We have recommended that OMB, working with the Treasury, Justice, and State

Departments, develop a proposal for ending the dual management of border inspections.

DOJ03: Redirect and Better Coordinate Resources Dedicated to Interdiction of Drugs

This recommendation outlines changes that can be made to better coordinate federal programs directed at the air interdiction of drugs.

GAO Comments

We agree. Given worldwide drug production capacity, domestic demand, and the resourcefulness of drug smugglers to adapt to U.S. enforcement initiatives, the overall availability of drugs in this country has not been diminished despite substantial increases in air interdiction efforts and related drug seizures. The commitment of resources should not be made without considering the potential effectiveness of alternative efforts, both supply and demand, and should be based on achieving measurable goals. Also, to better coordinate agency efforts, improvements in information system interoperability, data integrity, security, and overall intelligence information management are needed.

DOJ08: Reinvent the Immigration and Naturalization Service's Organization and Management

NPR recommends a number of changes in INS organization and management processes to provide an improved management structure and a strategic vision for the agency.

GAO Comments

We concur. Over the past decade, weak management systems and inconsistent leadership at INS led to segmented autonomous programs, each attempting to deal with its own set of problems without much attention to the impact on other INS programs. Without coherent overall direction and basic management reforms, the organization has been unable to effectively address changing enforcement responsibilities and long-standing service delivery problems. Further, we have recommended the appointment of an Associate Commissioner for Financial Management as the focal point for developing an overall financial management plan.

Recommendations With Which GAO Generally Agrees

DOJ01: Improve the Coordination and Structure of Federal Law Enforcement Agencies
NPR recommends the designation of the Attorney General as the Director of Law Enforcement to coordinate federal law enforcement efforts. It also recommends changes in the alignment of federal law enforcement responsibilities.

GAO Comments
We support the need for greater coordination of the numerous agencies involved in federal law enforcement. The decentralized operations, including the 94 U.S. Attorneys and the various investigative agencies within Justice and Treasury, complicate efforts by the Department of Justice to coordinate and direct a wide variety of initiatives and programs to fight crime. We have not taken a position as to whether the various law enforcement agencies should be consolidated into one or more agencies.

DOJ04: Improve Department of Justice Debt Collection Efforts
This recommendation would make improvements in the Justice debt collection effort, including giving the department the ability to retain a small percentage of debts collected and allowing Justice to credit its working capital fund with a percentage of debt collections to be used for the creation of a centralized debt tracking and information system.

GAO Comments
We agree that the Department of Justice, as well as the Administrative Office of the U.S. Courts, need to improve their debt collection efforts and financial and other information systems. Our analysis has shown that the government had collected less than 5 percent of the fines and restitution ordered in major financial institution fraud cases. We have not, however, studied the alternative financing method recommended by NPR.

DOJ05: Improve the Bureau of Prisons Education, Job Training, and Financial Responsibilities Programs
NPR makes a series of recommendations for improving prison education, training, and inmate financial responsibility policies.

GAO Comments
We agree that the Bureau of Prisons should strengthen its inmate education and training programs. Many inmates leave prison without marketable job skills, English language proficiency, or completing a

secondary education, yet are expected to become assimilated into society, i.e., become law-abiding productive citizens. We have not examined inmate financial responsibility policies and have no comment on those recommendations.

DOJ06: Improve the Management of Federal Assets Targeted for Disposition

Improvements are needed in the methods by which the federal government disposes of various assets.

GAO Comments

We have assessed the asset disposition activities of selected agencies—General Services Administration, Resolution Trust Corporation, Customs Service, Marshals Service, and Internal Revenue Service—and have identified the need for improvements by these agencies. We have recommended that the Attorney General and the Secretary of the Treasury continue to pursue consolidating the management and disposition of noncash seized property inventories. We have also initiated work to evaluate asset disposition practices on a governmentwide basis, but as yet do not have enough information to comment on the recommendation from this broader perspective.

DOJ07: Reduce the Duplication of Drug Intelligence Systems and Improve Computer Security

NPR recommends several changes to eliminate duplication in the federal drug intelligence system.

GAO Comments

We agree in principle but are uncertain as to the specifics of the recommendation. Fragmentation and duplication in the intelligence area are an outgrowth of the overlap in responsibilities among the numerous law enforcement and defense agencies involved in countering drug-trafficking activities. We have also reported on inadequate physical and operational controls over computer security, absence of contingency plans, and lack of computer security training at the Department of Justice. We believe that strong leadership, such as by the Office of National Drug Control Policy (the office responsible for overseeing the implementation of national drug policies) is a key factor in streamlining the intelligence effort without compromising security.

DOJ12: Streamline Background Investigations for Federal Employees

The current method of completing background examinations on federal employees is time-consuming and inefficient. This recommendation outlines improvements to streamline the process without sacrificing thoroughness.

GAO Comments

We have not specifically reviewed this issue with respect to Justice employees. But, given our past work at other agencies, we endorse the concept of streamlining background investigations provided that thoroughness is not jeopardized, particularly with respect to the investigation of employees for sensitive positions such as those in law enforcement.

DOJ16: Develop Lower Cost Solutions to Federal Prison Space Problems

This recommendation describes approaches to solving existing prison space problems.

GAO Comments

We agree that lower cost solutions need to be pursued, and implemented where feasible, but it is not yet clear whether NPR's recommendation will be limited to lowering the cost of prison design and construction or encompass options for reducing the number of persons sent to prison. Between fiscal years 1986 and 1992, the federal inmate population grew from 41,500 to more than 89,000, in part reflecting changes in sentencing policies. Absent a change in those policies, the rapid growth in the federal prison population can be expected to continue, requiring additional prison capacity.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

DOJ09: Make the Department of Justice Operate More Effectively as the U.S. Government Law Firm
Justice should undertake several improvements in the way it manages its litigation functions to improve service to its customers and better manage its case load.

GAO Comments
We believe that improving litigation service to customers is a goal that should be pursued by the Department. We have reported on the need for uniform and accurate litigative case management data and on weaknesses in ADP management and operations, most notably in the area of ADP security. We have not made an in-depth evaluation of other alternatives to existing litigation practices.

DOJ10: Improve White Collar Fraud Civil Enforcement
Civil fraud recovery should be established as a priority and the department should take steps to improve its white collar fraud enforcement.

GAO Comments
We recognize that civil fraud recoveries are an important aspect of white collar fraud enforcement. See our comments on related recommendation DOJ04. We have not studied other alternatives to existing practices.

DOJ11: Reduce the Duplication of Law Enforcement Training Facilities
Overlap and duplication in the provision of federal law enforcement training facilities should be examined. Multi-agency training needs should be accommodated through existing facilities in lieu of the construction of new facilities by individual agencies.

GAO Comments
Although we have not studied this issue, this is an area where we would agree that further examination could prove worthwhile. Law enforcement agencies, while having unique missions that require individualized training, frequently have overlapping jurisdictions and perform functions that require similar or identical knowledge and skills.

DOJ13: Adjust Civil Monetary Penalties to the Inflation Index
Civil monetary penalties have not been adjusted to keep up with inflation.

Under this recommendation, a "catch-up" adjustment would be made and the need for additional inflation adjustments would be automatically reassessed every four years.

GAO Comments
At this time we have insufficient information to assess the basis for or desirability of this recommendation. Our work on civil debt and criminal fines indicates that a major problem is collecting the criminal and civil fines and penalties now imposed. Recent Justice estimates indicate that the total amount of unpaid criminal debt exceeded $1.6 billion, and the balance continues to grow.

DOJ14: Improve Federal Courthouse Security
This recommendation is intended to address concerns of the U.S. Marshals Service concerning security at federal courthouses.

GAO Comments
We recognize that federal courthouses need to be secure and Marshals Service resources need to be targeted at the greatest security needs based on systematic assessments of potential risk. We have not yet completed our ongoing review of courthouse and judicial security issues and thus have not taken a position on these matters.

DOJ15: Improve the Professionalism of the U.S. Marshals Service
U.S. Marshals should be selected based on merit by the Director of the U.S. Marshals Service and reduce some positions.

GAO Comments
While we endorse the concept of improving the professionalism of the Marshals Service and reducing unnecessary positions where feasible, we have not studied this issue and thus do not have sufficient information on which to take a position.

Additional Areas of GAO Concern

None.

Related GAO Products

Justice Issues (GAO/OCG-93-23TR, Dec. 1992) relates to the overall summary and DOJ01.

Justice Department: Coordination Between DEA and the FBI (GAO/GGD-90-59, Mar. 21, 1990) relates to DOJ01.

Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened (GAO/GGD-93-48, Jan. 8, 1993) relates to DOJ01 and DOJ04.

Bank and Thrift Fraud: Overview of the Federal Government's Response (GAO/T-GGD-92-12, Feb. 6, 1992) relates to DOJ01 and DOJ04.

War on Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991) relates to DOJ01, DOJ03, and DOJ07.

Customs Service and INS: Dual Management Structure for Border Inspections Should Be Ended (GAO/GGD-93-111, June 30, 1993) relates to DOJ02.

Drug Control: Heavy Investment in Military Surveillance Is Not Paying Off (GAO/NSIAD-93-220, Sept. 1, 1993) relates to DOJ03.

Drug Interdiction: Funding Continues to Increase but Program Effectiveness Is Unknown (GAO/GGD-91-10, Dec. 11, 1990) relates to DOJ03.

Drug Control: Anti-Drug Efforts in the Bahamas (GAO/GGD-90-42, Mar. 8, 1990) relates to DOJ03.

Drug Smuggling: Capabilities for Interdicting Private Aircraft Are Limited and Costly (GAO/GGD-89-93, June 9, 1989) relates to DOJ03.

Financial Management: INS Lacks Accountability and Controls Over Its Resources (GAO/AFMD-91-20, Jan. 24, 1991) relates to DOJ04 and DOJ08.

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts (GAO/T-GGD-90-62, July 31, 1990) relates to DOJ04, DOJ10, and DOJ13.

Federal Prisons: Inmate and Staff Views on Education and Work Training Programs (GAO/GGD-93-33, Jan. 19, 1993) relates to DOJ05.

Asset Forfeiture Programs (GAO/HR-93-17, Dec. 1992) relates to DOJ06.

Resolution Trust Corporation (GAO/HR-93-4, Dec. 1992) relates to DOJ06.

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/T-GGD-94-7, Oct. 5, 1993) relates to DOJ07.

Drug Control: Coordination of Intelligence Activities (GAO/GGD-93-83BR, Apr. 2, 1993) relates to DOJ07.

Computer Security: DEA's Handling of Sensitive Drug Enforcement and National Security Information Is Inadequate (GAO/T-IMTEC-92-24, Sept. 30, 1992) relates to DOJ07.

Drug Control: Inadequate Guidance Results in Duplicate Intelligence Production Efforts (GAO/NSIAD-92-153, Apr. 14, 1992) relates to DOJ07.

Immigration Management: Strong Leadership and Management Reforms Needed to Address Serious Problems (GAO/GGD-91-28, Jan. 23, 1991) relates to DOJ08.

Information Management: Immigration and Naturalization Service Lacks Ready Access to Essential Data (GAO/IMTEC-90-75, Sept. 27, 1990) relates to DOJ08.

Justice: IRM and Project Eagle (GAO/IMTEC-93-7R, Dec. 9, 1992) relates to DOJ09.

Employee Background Checks (GAO/GGD-93-62R, Sept. 2, 1993) relates to DOJ12.

Nuclear Security: DOE's Progress on Reducing Its Security Clearance Work Load (GAO/RCED-93-183, Aug. 12, 1993) relates to DOJ12.

Personnel Security: Efforts by DOD and DOE to Eliminate Duplicate Background Investigations (GAO/RCED-93-23, May 10, 1993) relates to DOJ12.

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992) relates to DOJ12.

National Fine Center: Expectations High, but Development Behind Schedule (GAO/GGD-93-95, Aug. 10, 1993) relates to DOJ13.

Program Fraud: Implementation of the Program Fraud Civil Remedies Act of 1986 (GAO/AFMD-91-73, Sept. 16, 1991) relates to DOJ13.

Intensive Probation Supervision: Crime-Control and Cost-Saving Effectiveness (GAO/PEMD-93-23, June 4, 1993) relates to DOJ16.

Prison Boot Camps: Short-Term Prison Costs Reduced, but Long-Term Impact Uncertain (GAO/GGD-93-69, Apr. 29, 1993) relates to DOJ16.

Prison Alternatives: Crowded Federal Prisons Can Transfer More Inmates to Halfway Houses (GAO/GGD-92-5, Nov. 14, 1991) relates to DOJ16.

Prison Costs: Opportunities Exist to Lower the Cost of Building Federal Prisons (GAO/GGD-92-3, Oct. 25, 1991) relates to DOJ16.

Federal Prisons: Revised Design Standards Could Save Expansion Funds (GAO/GGD-91-54, Mar. 14, 1991) relates to DOJ16.

Intermediate Sanctions: Their Impacts on Prison Crowding, Costs, and Recidivism Are Still Unclear (GAO/PEMD-90-21, Sept. 7, 1990) relates to DOJ16.

Department of Labor (DOL)

Overall Summary

As discussed in our December 1992 transition series report on Labor Issues, we believe that how to respond to the changing economy and increased international competition is a major challenge facing the United States' employment training policy. However, the United States lacks a comprehensive employment training strategy. Instead, the country has a fragmented nonsystem of over 150 federally funded job training funding streams. We believe that several of the NPR recommendations pertaining to DOL are a step in the right direction for addressing this and other important employment issues.

We also noted in the Labor Issues transition report the need for OSHA and states that operate workplace safety and health programs to find innovative solutions for ensuring that workplaces are safe and healthful. We believe that OSHA needs to find ways to expedite the setting of safety and health standards and improve the effectiveness of its inspection and hazard abatement programs. There are some NPR recommendations aimed at this, but we do not have sufficient information on the details of the recommendations to judge them at this time.

Our work also has identified problems in the administration of the Employee Retirement Income Security Act (ERISA), and we generally agree with the NPR recommendations pertaining to ERISA.

Finally, we believe that the Pension Benefit Guaranty Corporation (PBGC), a "high risk" agency because of its significant management and operations problems, deserves attention. However, there are no NPR recommendations aimed at the PBGC high risk problems we identified.

GAO Contact

Linda G. Morra, Director, Education and Employment Issues, Human Resources Division, (202) 512-7014.

Recommendations With Which GAO Agrees

DOL01: Enhance Reemployment Programs for Occupationally Disabled Federal Employees
These recommendations would help occupationally disabled federal employees return to productive careers by expanding DOL's return-to-work program. This saves money by reducing long-term benefit costs to the government.

GAO Comments
We agree that considerable improvement is possible in returning workers compensation beneficiaries to work by increasing the reemployment

assistance to injured federal workers. However, we have not evaluated the potential savings.

DOL02: Develop a Single Comprehensive Worker Adjustment Strategy
Improve services to the unemployed—and those at risk of dislocation—and make better use of resources available for assistance by developing a new worker adjustment strategy.

GAO Comments
We believe that a new worker adjustment strategy is needed to help dislocated workers. The current categorical approach is inequitable, slow, limited in the mix of services provided, and unaccountable for results. We have suggested consideration of a simplified approach that helps dislocated workers regardless of the reason for the dislocation.

DOL16: Increase Assistance to States in Collecting Delinquent Unemployment Insurance Trust Fund Contributions
This recommendation outlines ways of improving state collections of delinquent unemployment insurance contributions.

GAO Comments
We have recommended a number of federal actions that could be taken to improve states' unemployment insurance tax collection systems, including providing guidance to states in establishing judicial and administrative procedures to minimize delinquent contributions and identify nonfilers.

Recommendations With Which GAO Generally Agrees

DOL05: Automate the Processing of ERISA Annual Financial Reports (Forms 5500) to Cut Costs and Delays in Obtaining Employee Benefit Plan Data
Automating the filing and processing of annual financial reports required of pension and benefit plan administrators (ERISA Forms 5500) would reduce costs and delays.

GAO Comments
We view electronic filing of the Form 5500 as a desirable method of reducing the cost of processing (shared by DOL and IRS) and reducing the nearly 3 years it takes to obtain usable data from an annual filing.

However, we have only just started a review of the Form 5500 processing system and have issued no product related to this issue.

DOL06: Amend the ERISA Requirement for Summary Plan Descriptions

The filing of summary plan descriptions by employee benefit plan administrators with DOL is intended to make the plans more readily available for participants and beneficiaries. Since requests for copies are received on only about one percent, the cost to maintain the system and the administrative burden on employers far outweighs the public benefit.

GAO Comments

Our work indicates that DOL could reduce costs by reducing or eliminating storage of Summary Plan Descriptions (SPD) hard copies while continuing to provide electronic access to SPDs. The SPD is a very important and valuable document for beneficiaries of pension and welfare benefit plans. It is supposed to explain, in plain English, the provisions of the plan and is to be made available to each participant.

DOL08: Create One-Stop Centers for Career Management

Establishing one-stop centers for career management would create a customer-driven workforce system, empowering Americans to make informed career choices and providing the means to achieve those goals.

GAO Comments

We generally agree with the need to streamline the employment training system, and one-stop centers could be a step in that direction. However, we do not believe one-stop centers should be the ultimate goal. We believe the consolidation of similar programs serving the same general target populations would go further to simplify the system.

DOL21: Change the Focus of the Unemployment Insurance Benefits Quality Control Program to Improve Performance

Re-examining the present mix of systems to shift the focus of this program from error measurement to a constructive use of the results would allow DOL to improve benefit payment quality and more effectively achieve the program's goals.

GAO Comments
We found that Labor's unemployment insurance performance indicators are weak and do not constitute an effective quality monitoring system. While we have not evaluated the NPR proposal, we believe this is a step in the direction of improving unemployment insurance performance.

Recommendations With Which GAO Disagrees

DOL09: Create a Boundary-Spanning Work Force Development Council
Because the greatest barriers to creating an integrated work force development system are the categorical nature of federal funds and structural fragmentation of various federal programs, this issue proposes to coordinate work force development efforts by convening a multi-agency Work Force Development Council and implementing "bottom-up grant consolidation" for states and localities.

GAO Comments
We do not believe the establishment of coordinating councils will help improve the delivery of employment training services to those who need them. Instead, we believe the large number of federal employment training programs should be consolidated to eliminate the costly duplication of services or the special arrangements to coordinate services that also add to the administrative burden of the programs.

Recommendations on Which GAO Has Insufficient Information to Judge

DOL03: Expand Negotiated Rulemaking and Improve Up-front Teamwork on Regulations
DOL should provide administrative guidance more quickly and cheaply through negotiated rulemaking and a streamlined team approach to the rules development process.

GAO Comments
Our work on OSHA indicates that an improvement in the rulemaking process is needed and that negotiated rulemaking would be one option to consider. However, we have not studied whether negotiated rulemaking would in fact speed up the process.

DOL04: Expand the Use of Alternative Dispute Resolution by the Department of Labor
The increased use of alternative dispute resolution could reduce litigation and produce significant long-term savings.

GAO Comments
Our work at EEOC has shown that alternative dispute resolution could streamline the handling of cases, but we have not studied this issue in the context of DOL cases.

DOL07: Redirect the Mine Safety and Health Administration's Role in Mine Equipment Regulation
Shifting the Mine Safety and Health Administration's regulatory role from one of in-house testing to one of on-site quality assurance would provide increased economic benefits to the mining industry and would allow DOL to redirect resources.

GAO Comments
We have insufficient information to assess this recommendation.

DOL10: Refocus the Responsibility for Ensuring Workplace Safety and Health
This recommendation proposes to shift responsibility for workplace safety and health to employers by issuing regulations requiring self-inspections and implementing a sliding scale of incentives and penalties to ensure safety standards are met.

GAO Comments
We have recommended that OSHA require employers in certain industries to institute worksite safety and health programs. We have also explored the advantages and disadvantages of permitting private sector consultations to substitute for certain programmed OSHA inspections. However, we have not examined explicit proposals mandating employer self-inspections and modifying existing OSHA penalty schedules.

DOL11: Open the Civilian Conservation Centers to Private and Public Competition
A long-term reduction in costs is possible through expanded competition for contracts to operate Job Corps Civilian Conservation Centers.

GAO Comments
Our work has shown that public centers incur higher costs because they generally provide higher skill training. However, the public centers have higher placement rates and wages. We have no basis to judge whether

open competition for contracts to operate those centers at specified training levels would result in savings.

DOL12: Partially Fund Mine Safety and Health Enforcement Through Service Fees

Charge for services to put the mining industry on a comparable footing with other industries which bear the cost of their regulation. This proposes to partially fund enforcement of mine safety regulations through service fees.

GAO Comments

We have insufficient information to assess this recommendation.

DOL13: Integrate Enforcement Activities within the Department of Labor

Introduce greater coordination and flexibility in the DOL enforcement agencies to project a consistent message to customers and integrate approaches to common issues.

GAO Comments

We have insufficient information to assess this recommendation.

DOL14: Apply Information Technology to Expedite Wage Determinations for Federal Contracts

Developing an electronic data interchange/data mapping system which is integrated into the Service Contract Act process should eliminate delays both in the delivery of wage determinations and in procurement when caused by determination delays.

GAO Comments

We have ongoing work on prevailing wage determinations under the related Davis-Bacon Act assessing the potential impact of similar technological changes on the wage determination process. Until that work is completed, we would have no basis to judge this recommendation.

DOL15: Provide Research and Development Authority for the DOL's Mine Safety and Health Program

Granting the Mine Safety and Health Administration authority to procure

services and goods directly would improve the mine safety program by expediting the acquisition process for new and improved technology.

GAO Comments
We have insufficient information to assess this recommendation. However, we support the development of a single worker adjustment strategy, and the consolidation of various programs appears consistent with that objective.

DOL17: Revise and Update the Consumer Price Index
The consumer price index has important consequences for both public and private decisions. This important measure should be updated to reflect recent inflation trends.

GAO Comments
Our General Government Division, together with the Office of the Chief Economist, has work under way as part of our review of the "Economic Statistics Initiative" that will look at the need to revise and update economic statistics including the CPI.

DOL18: Improve the Delivery of Legal Services by the Office of the Solicitor in the Department of Labor
The delivery of legal services by the Office of the Solicitor can be improved by using cooperative agreements, coordinated budgeting and better use of resources.

GAO Comments
We have insufficient information to assess this recommendation.

DOL19: Transfer the Veterans' Employment and Training Service to the Employment and Training Administration
The DOL can improve service delivery to veterans and save money by consolidating administration of this function.

GAO Comments
We have insufficient information to assess this recommendation. However, we support the development of a single worker adjustment strategy, and the consolidation of various programs appears consistent with that objective.

DOL20: Reduce Federal Employees' Compensation Act Fraud
Congress needs to amend several sections of the United States Code to enable DOL to eliminate benefits to persons who have been convicted of defrauding the program.

GAO Comments
This may be warranted, but we have not done work to determine whether the population of convicted fraud perpetrators is relatively small or large. Thus, it is not clear to us that the projected savings are achievable.

Additional Areas of GAO Concern

NPR did not address any issues involving PBGC, one of the high-risk areas we have studied. PBGC has significant accounting and management deficiencies that we have addressed in numerous reports, yet no proposals to "reinvent" PBGC were forthcoming.

Related GAO Products

Labor Issues (GAO/OCG-93-19TR, Dec. 1992) relates to the overall summary.

Federal Employees' Compensation Act: Need to Increase Rehabilitation and Reemployment of Injured Workers (GAO/GGD-92-30, Feb. 2, 1992) relates to DOL01.

Federal Workforce: Federal Employees Compensation Act Cost Growth and Workplace Safety (GAO/GGD-89-4, Oct. 20, 1988) relates to DOL01.

Dislocated Workers: Comparison of Assistance Programs (GAO/HRD-92-153BR, Sept. 10, 1992) relates to DOL02.

Dislocated Workers: Comparison of Programs (GAO/T-HRD-92-57, Sept. 10, 1992) relates to DOL02.

Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, Oct. 19, 1993) relates to DOL02.

Multiple Employment Programs: National Employment Training Strategy Needed (GAO/T-HRD-93-27, June 18, 1993) relates to DOL08 and DOL09.

Occupational Safety and Health: Worksite Safety and Health Programs Show Promise (GAO/HRD-92-68, May 19, 1992) relates to DOL10.

Occupational Safety and Health: Option for Improving Safety and Health in the Workplace (GAO/HRD-90-66BR, Aug. 24, 1990) relates to DOL10.

Job Corps Costs and Outcomes (GAO/HRD-93-16R, Feb. 19, 1993) relates to DOL11.

Job Corps: Its Costs, Employment Outcomes, and Service to the Public (GAO/HRD-86-112BR, July 30, 1986) relates to DOL11.

Unemployment Insurance: Opportunities to Strengthen the Tax Collection Process (GAO/HRD-89-5, June 8, 1989) relates to DOL16.

Unemployment Insurance: Administrative Funding Is a Growing Problem for State Programs (GAO/HRD-89-72BR, May 24, 1989) relates to DOL21.

Pension Benefit Guaranty Corporation (GAO/HRD-93-5, Dec. 1992) relates to additional areas of GAO concern.

Pensions Plans: Hidden Liabilities Increase Claims Against Government Insurance Programs (GAO/HRD-93-7, Dec. 30, 1992) relates to additional areas of GAO concern.

Pension Plans: Pension Benefit Guaranty Corporation Needs to Improve Premium Collections (GAO/HRD-92-103, June 30, 1992) relates to additional areas of GAO concern.

Private Pensions: Most Underfunded Plan Sponsors Are Not Making Additional Contributions (GAO/T-HRD-93-16, Apr. 20, 1993) relates to additional areas of GAO concern.

Financial Condition of Pension Benefit Guaranty Corporation (GAO/T-HRD-92-52, Aug. 11, 1992) relates to additional areas of GAO concern.

National Aeronautics and Space Administration (NASA)

Overall Summary

Our December 1992 transition series report on NASA Issues identified the major challenges currently facing NASA management. NPR's recommendations generally relate to most of these challenges—program and project management, contract management, and aeronautics research and development. Our work in these areas tends to support the thrust of NPR's recommendations, although it is difficult to draw one-for-one relationships without more specific information on the exact changes NPR envisions.

One area not specifically addressed by NPR but with which we have been greatly concerned is the need for NASA to adjust the content and pace of its programs to fit more realistically within the likely budgets Congress will provide. While this, of course, is not a precise exercise, our work has shown a wholly unrealistic relationship between NASA's plans and likely budgets. NASA has taken steps to close the gap between plans and budgets but its ultimate success in correcting this situation has been clouded by unresolved matters principally related to the space station program. Thus, we still consider the potential mismatch between program plans and likely budgets as a key unresolved management issue at NASA.

Another area of serious concern not addressed by NPR is NASA's financial management weaknesses. NASA's internal controls, policies and procedures, and financial systems do not provide assurance that appropriations and contractor-held property are properly accounted for and reported.

GAO Contact

Donna M. Heivilin, Director, Defense Management and NASA Issues, National Security and International Affairs Division, (202) 512-8412.

Recommendations With Which GAO Agrees

NASA01: Improve NASA Contracting Practices
This recommendation outlines several steps NASA can take to improve its contracting procedures, including greater use of performance standards, contracting out for data instead of hardware whenever appropriate, and using cooperative research agreements to more quickly exploit high performance computing techniques.

GAO Comments
During the last 2 years, we have issued numerous reports and have testified on a number of occasions about NASA's contract management problems. The primary focus of the work supporting those reports and testimonies was to identify and set out the steps NASA needed to take to

improve its processes for awarding and administering contracts. Based on that work, we agree that NASA needs to improve its contracting practices.

NASA04: Strengthen and Restructure NASA Management
NASA program management should be aggressively overhauled. This recommendation outlines a number of steps the agency should take, both in overall management and in the management of the space station program.

GAO Comments
Our work related to this area supports the need for NASA to restructure the way NASA develops and manages programs. For example, our work shows that once approved, a major space project's cost estimate will typically increase about 75 percent, and its launch schedule will be delayed by about 4 years. Many reasons explain the cost growth and schedule delays. Some of them relate to issues where management should have been able to make a difference, such as insufficient requirements determinations, overoptimism in estimating, and incomplete initial cost estimates. One of the important changes NASA could make in overhauling its program management would be to install strong financial management leadership under its Chief Financial Officer organization.

Recommendations With Which GAO Generally Agrees

None.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

NASA02: Increase NASA Technology Transfer Efforts and Eliminate Barriers to Technology Development
NASA should expand its technology transfer efforts and promote the development of new technologies.

GAO Comments
We have done only limited work in space technology and cannot

specifically comment on transfer efforts and barriers. On aeronautical technology, we have recommended improvements designed to establish and implement a consistent approach for monitoring and measuring both the level of effort and the level of success in transferring aeronautics technology. Our work, however, has not addressed the desirability of expanding transfer efforts or the need to promote the development of new technologies.

NASA03: Increase NASA Coordination of Programs with the U.S. Civil Aviation Industry

NASA should develop a closer relationship with the U.S. civil aviation industry to ensure industry input is received early and throughout the technology development process.

GAO Comments

We have expressed concern about the significant gains in market share being achieved by foreign aeronautical companies and the limited efforts by NASA to preserve U.S. leadership in the aeronautics industry. We noted that neither the level nor the type of aeronautics research supported by NASA was adequate. The problem was not a lack of awareness of the research that would be most useful to the U.S. aeronautics industry. Rather, U.S. policies did not support doing more to assist the aeronautics industry in those areas most beneficial to maintaining its near-term competitiveness.

NASA05: Clarify the Objectives of the Mission to Planet Earth Program

This recommendation suggests a number of steps needed to improve the management and performance of the Mission to Planet Earth program.

GAO Comments

Our work in this area has been limited to early development efforts related to the Earth Observing System, a series of space-based sensors and related ground facilities for detecting and recording various characteristics in the atmosphere and on the surface of the earth. Our last look at the cost, schedule, and performance status of that system showed that some instruments for achieving the objectives of the program did not have flight assignments, and another had its development and flight postponed until after the turn of the century. NASA was trying to arrange a flight or development partnership with a foreign entity or other U.S. government

agency. Since our work, the planned funding level for the Earth Observing System through fiscal year 2000 has been reduced by about 30 percent. However, we have not yet assessed NASA's efforts to achieve these reductions.

Additional Areas of GAO Concern

One area of our concern that was not specifically addressed by NPR's recommendations is the unrealistic expectations of NASA's future years' budget estimates. Our work has shown that the estimates for 1993 through 1997 were up to as much as $20 billion higher than the amounts likely to be appropriated under federal budget constraints. NASA officials acknowledged that a gap existed between program plans and likely budgets and, in presenting NASA's fiscal year 1994 budget request to Congress, the agency pointed out that net adjustments totalling about $15 billion had been made to NASA's 5-year spending plan. However, we have not yet reviewed the nature of the adjustments made to see that they were appropriate. Also, these adjustments included a 5-year estimate for the space station, which was unrealistically low. Therefore, further program adjustments are needed, and we consider this an open issue.

Another concern that was not addressed by NPR's recommendations is the seriousness of NASA's financial management weaknesses. NASA's current systems and controls over accounting, budgetary resources, contractor-held property, and financial reporting do not ensure that data used by decisionmakers are reliable. NASA's efforts to develop an integrated accounting system, which began in 1988, are not targeted for completion until July 1997. NASA's controls over property in the hands of its contractors do not ensure that property reporting is accurate or timely, and financial reporting on NASA's property is not consistent with the federal fiscal year. Concerns we identified in our review of NASA's fiscal year 1991 and 1992 financial management were born out by the NASA Inspector General's audit report on NASA's fiscal year 1992 financial statement, which concluded that NASA's statement was unauditable. The Inspector General also identified material weaknesses in NASA's accounting systems, policies and procedures, and controls over contractor-held property.

Related GAO Products

NASA Issues (GAO/OCG-93-27TR, Dec. 1992) relates to the overall summary.

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993) relates to NASA01, NASA02, NASA03, NASA04, and to additional areas of GAO concern.

High-Risk Series: NASA Contract Management (GAO/HR-93-11, Dec. 1992) relates to NASA01 and additional areas of GAO concern.

NASA Procurement: Opportunities to Improve Contract Management (GAO/T-NSIAD-92-33, May 7, 1992) relates to NASA01 and additional areas of GAO concern.

Financial Management: Actions Needed to Ensure Effective Implementation of NASA's Accounting System (GAO/AFMD-91-74, Aug. 21, 1991) relates to NASA01, NASA04, and additional areas of GAO concern.

Financial Management: NASA's Financial Reports Are Based on Unreliable Data (GAO/AFMD-93-3, Oct. 29, 1992) relates to NASA01, NASA04, and additional areas of GAO concern.

NASA's FMFIA Assertions and CFO Plan (GAO/AFMD-93-65R, June 11, 1993) relates to NASA01, NASA04, and additional areas of GAO concern.

NASA Property: Improving Management of Government Equipment Provided to Contractors (GAO/NSIAD-93-191, Sept. 9, 1993) relates to NASA01.

NASA Aeronautics: Impact of Technology Transfer Activities Is Uncertain (GAO/NSIAD-93-137, Mar. 16, 1993) relates to NASA02 and NASA03.

NASA Aeronautics: Efforts To Preserve U.S. Leadership in the Aeronautics Industry Are Limited (GAO/T-NSIAD-92-14, Mar. 18, 1992) relates to NASA02 and NASA03.

NASA Aeronautics: Protecting Sensitive Technology (GAO/NSIAD-93-201, Aug. 12, 1993) relates to NASA02 and NASA03.

NASA Program Costs: Space Missions Require Substantially More Funding Than Initially Estimated (GAO/NSIAD-93-97, Dec. 31, 1992) relates to NASA04.

Space Programs: NASA's Independent Cost Estimating Capability Needs Improvement (GAO/NSIAD-93-73, Nov. 5, 1992) relates to NASA04.

Earth Observing System: NASA's EOSDIS Development Approach Is Risky (GAO/IMTEC-92-24, Feb. 25, 1992) relates to NASA05.

Earth Observing System: Broader Involvement of the EOSDIS User Community Is Needed (GAO/IMTEC-92-40, May 11, 1992) relates to NASA05.

EOS Data Policy: Questions Remain About U.S. Commercial Access (GAO/IMTEC-92-44, June 25, 1992) relates to NASA05.

NASA: Changes to the Scope, Schedule, and Estimated Cost of the Earth Observing System (GAO/NSIAD-92-223, July 22, 1992) relates to NASA05.

NASA Budget: Potential Shortfalls in Funding NASA's 5-Year Plan (GAO/T-NSIAD-92-18, Mar. 17, 1993) relates to additional areas of GAO concern.

NASA: Large Programs May Consume Increasing Share of Limited Future Budgets (GAO/NSIAD-92-278, Sept. 4, 1992) relates to additional areas of GAO concern.

National Science Foundation/Office of Science and Technology Policy (NSF)

Overall Summary

NPR's recommendations, particularly the recommendation to strengthen the coordination of science policy throughout the government, are generally consistent with our body of work over the past several years. In addition, the recommendations appear highly timely and appropriate in view of the important role this administration and Congress expects science and technology to play in stimulating the nation's economic growth and helping U.S. companies become more competitive in global markets.

GAO Contact

Victor S. Rezendes, Director, Energy and Science Issues, Resources, Community, and Economic Development Division, (202) 512-3841.

Recommendations With Which GAO Agrees

NSF02: Use a Federal Demonstration Project to Increase Research Productivity

NPR recommends using a demonstration project structured between several universities and five federal agencies as a model for a program to reduce administrative overhead on research grants.

GAO Comments

We support any effort to reduce unnecessary overhead costs. We have issued a number of reports on this issue. More specifically, regarding federally funded research at universities, we recommended in an August 1992 report entitled Federal Research: System for Reimbursing Universities' Indirect Costs Should Be Reevaluated that OMB consider involving a cross section of the university community in the work of the task force it formed to evaluate alternative methods for reimbursing universities for overhead costs related to federally sponsored research.

Recommendations With Which GAO Generally Agrees

NSF01: Strengthen Coordination of Science Policy

NPR recommends modifying the current structure of the Federal Coordinating Council for Science, Engineering, and Technology (FCCSET) to strengthen its role in science policy.

GAO Comments

Although we have not done any work focused specifically on this issue, FCCSET has been generally viewed as lacking the authority and clout to play a significant role in directing science policy and in establishing priorities for science and technology within the federal government. With the growing link this administration envisions between initiatives in science and technology and the nation's economic well-being, a stronger

process for formulating policy and setting priorities seems vital. In addition, we have reported on the need for better coordination of research activities among federal agencies.

NSF03: Continue Automation of NSF Research Support Functions
NSF should push forward with efforts to implement advanced information technology in the proposal submission, review, award, and information dissemination areas.

GAO Comments
While we have not examined the status of automation at NSF, we generally support efforts to use advanced information technologies effectively in carrying out agencies' missions.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

None.

Related GAO Products

Aviation Research: Issues Related to FAA's Research Activities (GAO/T-RCED-93-68, July 29, 1993) relates to NSF01.

High Performance Computing: Advanced Research Projects Agency Should Do More to Foster Program Goals (GAO/IMTEC-93-24, May 17, 1993) relates to NSF01.

Federal Research: Advanced Technology Program's Indirect Cost Rates and Program Evaluation Status (GAO/RCED-93-221, Sept. 10, 1993) relates to NSF02.

Federal Research: Minor Changes Would Further Improve New NSF Indirect Cost Guidance (GAO/RCED-93-140, June 3, 1993) relates to NSF02.

Federal Research: System for Reimbursing Universities' Indirect Costs Should Be Reevaluated (GAO/RCED-92-203, Aug. 26, 1992) relates to NSF02.

Small Business Administration (SBA)

Overall Summary

Our December 1992 transition series report entitled Housing and Community Development Issues discussed matters that SBA needs to focus on to accomplish its mission of developing and nurturing small businesses. Our work over the past several years has focused on key SBA programs that provide financial assistance to all small businesses and provide developmental assistance, including federal contracts, to minority and other small disadvantaged firms.

Small businesses are a critical element in developing and maintaining the economic well-being of communities. Overall, NPR's recommendations for improving SBA are in line with the thrust of our reports and testimonies and, if properly implemented, could result in improving this sector of our economy.

GAO Contact

Judy England-Joseph, Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, (202) 512-7631.

Recommendations With Which GAO Agrees

SBA07: Distribute SBA Staff Based on Workload and Administrative Efficiency
Reallocate staff based on administrative efficiency and objective workload measures to allow the SBA to better serve its customers by shifting resources from its central and regional offices into its district offices.

GAO Comments
We support allocating resources to where they can do the most good. Reallocating SBA personnel to the district offices would improve the effectiveness of SBA's program delivery by putting more resources where the small businesses are located. This approach would also reduce the workload of the overburdened district office staff by providing additional resources without increasing SBA's overall budget.

SBA08: Improve Federal Data on Small Businesses
The quality of information made available to shape federal legislative and regulatory actions affecting small and large businesses will be increased if federal household and employer surveys include a "size of firm" question.

GAO Comments
We support improving federal data on small businesses. Inadequate information on business activities has long hindered congressional and

executive branch decisionmakers. We have frequently pointed out the need for SBA to have complete and accurate information on its small business programs. Gathering information on the size of firms would only enhance the decision-making process.

Recommendations With Which GAO Generally Agrees

SBA02: Improve Assistance to Minority Small Businesses
This proposal recommends a complete review of all federal minority business assistance programs and the establishment of a Small Disadvantaged Business Set-Aside program for civilian agencies to provide increased opportunities for minority small business.

GAO Comments
We support improving assistance to minority-owned small businesses. Our work on SBA's minority business development program has shown a need to review the effectiveness of federal minority assistance programs. However, it is unclear whether a small business set-aside program would be the best way to provide increased opportunities because such a program can hinder firms' self-marketing efforts and other overall business development activities.

SBA04: Examine Federal Guidelines for Small Business Lending Requirements
The federal government should examine the guidelines bank regulators set for small business lending by financial institutions to ensure that capital is available without undue barriers while maintaining the integrity of the financial institutions.

GAO Comments
We support the need to examine federal guidelines for small business lending requirements in order to make capital available to small businesses. We have recommended changes in collateral requirements and in supervisory procedures that could facilitate traditional small business lending without compromising the safety and soundness of banks.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

SBA01: Allow Judicial Review of the Regulatory Flexibility Act
Allow access to the courts when federal agencies develop rules that fail to properly examine alternatives that will lessen the burden on small businesses.

GAO Comments
We support reducing the burden of unnecessary paperwork on small businesses, but work would have to be performed to determine whether such a review is necessary to resolve the problems in this area.

SBA03: Reinvent the U.S. Small Business Administration's Credit Programs
Identify ways to improve SBA's credit programs to make SBA more responsive to those industries with the potential for creating a higher number of jobs, those involved in international trade, and those providing critical technologies. It will also enable the agency to operate more efficiently.

GAO Comments
Reinventing SBA credit programs may be needed, and although we agree that the mission of SBA is, at least indirectly, to create new jobs, work would have to be performed to determine what types of industries have the potential to create the most jobs and to examine whether targeting SBA loan assistance would make the agency more efficient.

SBA05: Manage the Microloan Program to Increase Loans for Small Businesses
Allowing SBA to guarantee loans made by banks to nonprofit intermediaries, who could, in turn, make small loans to low-income individuals, women, minorities and other small businesses unable to obtain credit through traditional lending sources would increase private sector participation and lessen administrative burdens linked to direct government lending.

GAO Comments
Although revising SBA's microloan program may reduce direct federal expenditures, we do not know whether it will increase access for small businesses. Currently, SBA's microloan program provides direct loans to nonprofit organizations that, in turn, lend to very small businesses, especially those owned by women, minorities, and low-income individuals.

We have not done any work to determine whether the private sector would make funds available to nonprofits solely on the basis of an SBA guarantee and whether this would increase the access of small businesses to such loans.

SBA06: Establish User Fees for Small Business Development Center Services

Authorize Small Business Development Centers to charge a nominal fee for their services to reduce federal outlays and require the direct beneficiaries of the assistance to pay a share of the cost.

GAO Comments

Although establishing user fees for Small Business Development Centers' (SBDC) services may reduce federal outlays, we have not examined what impact charging clients would have on program participation and program effectiveness. Currently, SBDCs provide a variety of business-related services to the client. The centers receive financial assistance from SBA in the form of annual grants, but to be eligible for a grant, the centers must provide an equal, matching amount of funds from nonfederal sources. However, most SBDCs put major emphasis on counseling, which is provided at no cost. Our past work has determined that most clients are satisfied with the counseling services they receive.

Additional Areas of GAO Concern

None.

Related GAO Products

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992) relates to the overall summary.

Regulatory Flexibility Act: Inherent Weaknesses May Limit Its Usefulness for Small Governments (GAO/HRD-91-16, Jan. 11, 1991) relates to SBA01.

Small Business: The Small Business Administration's Progress in Restructuring Its Business Development Program (GAO/T-RCED-93-56, Sept. 22, 1993) relates to SBA02.

Small Business: Problems Continue With SBA's Minority Business Development Program (GAO/RCED-93-145, Sept. 17, 1993) relates to SBA02, SBA07, and SBA08.

Small Business: Federal Agencies' Contracting Goals for Women-Owned Businesses (GAO/T-RCED-92-95, Sept. 17, 1992) relates to SBA02.

Small Business: Efforts to Provide Federal Procurement Dollars to Women-Owned Businesses (GAO/RCED-92-185, July 28, 1992) relates to SBA02.

Small Business: The Small Business Administration's Progress in Restructuring Its 8(a) Business Development Program (GAO/T-RCED-92-35, Mar. 4, 1992) relates to SBA02.

Small Business: Problems in Restructuring SBA's Minority Business Development Program (GAO/RCED-92-68, Jan. 31, 1992) relates to SBA02.

Small Business: Participation in SBA's 8(a) Business Development Program (GAO/RCED-91-173, June 11, 1991) relates to SBA02.

Minority Business: Minority Business Development Agency Needs to Address Program Weaknesses (GAO/RCED-91-114, Apr. 16, 1991) relates to SBA02.

Minority Business: Management Improvements Needed at Minority Business Development Agency (GAO/RCED-90-69, Jan. 19, 1990) relates to SBA02.

Small Business: Financial Condition of SBA's Business Loan Portfolio Is Improving (GAO/RCED-92-49, Dec. 3, 1991) relates to SBA03.

Bank Regulation: Regulatory Impediments to Small Business Lending Should Be Removed (GAO/GGD-93-121, Sept. 7, 1993) relates to SBA04.

Small Business: Analysis of SBA's Preferred Lenders Program (GAO/RCED-92-124, May 15, 1992) relates to SBA04.

Small Business: Development Centers Meet Counseling Needs of Most Clients (GAO/T-RCED-90-65, Apr. 18, 1990) relates to SBA06.

Small Business: Development Centers Meet Counseling Needs of Most Clients (GAO/RCED-90-38BR, Nov. 22, 1989) relates to SBA06.

Small Business in Southern Nevada (GAO/RCED-93-36R, Oct. 6, 1992) relates to SBA07.

Small Business: Information on and Improvements Needed to Surety Bond Guarantee Program (GAO/RCED-91-99, Apr. 23, 1991) relates to SBA08.

Department of State/U.S. Information Agency (DOS)

Overall Summary

The United States faces a serious challenge in adjusting its foreign policy and diplomatic activities to fit with post-Cold War priorities. As adjustments are made, the State Department and other foreign affairs agencies will need to consider how they will be able to operate more efficiently with declining resources. Focusing more attention on economic, refugee, and other global issues, correcting long-standing management weaknesses, and identifying opportunities to cut costs and optimize use of resources are key to adjusting to today's world and achieving efficient operations. Overall, NPR's recommendations are consistent with the need to adjust activities and achieve efficiencies.

GAO Contact

Joseph E. Kelley, Director-in-Charge, International Affairs Issues, National Security and International Affairs Division, (202) 512-4128.

Recommendations With Which GAO Agrees

DOS04: Provide Leadership in the Department's Information Management

The Department of State should make significant changes in the way it manages information technology policy. Several improvements are recommended.

GAO Comments

Our work strongly supports this recommendation, particularly improvements in the financial management area. These include the need to design, develop, and implement systems that meet governmentwide standards; provide effective accountability over resources; and support managerial decisionmaking. The State Department's financial operations and systems have had serious shortcomings for years. Responsibility for financial management has been fragmented, and financial operations are hampered by inexperienced and inadequately trained financial management staff. In addition, domestic and overseas financial management systems are incompatible; have been allowed to deteriorate; are out of date; and are unable to meet cost, performance measurement, and other financial management needs. The inadequacies in financial management systems have directly contributed to the lack of cost information on overseas property and the vulnerability of worldwide disbursing and cashiering operations to fraud, waste, and abuse. Although State is making efforts to improve its financial management systems, the magnitude of the problem indicates that sustained attention is required. The Department has begun to implement changes in the way it manages information technology policy. Specifically, it engaged a consulting firm to

develop its Information Strategy Plan for its proposed Integrated Financial Management System.

DOS06: Consolidate U.S. Nonmilitary International Broadcasting
This recommendation supports the administration's decision to consolidate U.S. international broadcasting under the U.S. Information Agency and outlines ways of extending the benefits of this change.

GAO Comments
For years, we have advocated the consolidation of U.S. international broadcasting activities, and we support the administration's decision and the NPR recommendation. The consolidation will improve both the effectiveness and efficiency of broadcasting efforts, and in the long run result in significant savings. In a recent report, we identified cost and administrative issues surrounding the legislative proposal to consolidate broadcasting activities that need to be addressed before decisions on the structure and organization of broadcasting entities are finalized.

DOS08: Improve the Collection of Receivables
The State Department should do a better job collecting debts, such as medical expenses and others, owed to the department.

GAO Comments
We strongly agree with this recommendation. Our work has shown that State currently does not have adequate controls over receivables. In August 1992, we reported that DOS does not have reasonable assurances that it is recovering the medical insurance benefits payable to insured employees and dependents for overseas medical expenses paid by the government. As a result, the government may be losing substantial amounts of recoverable expenses.

DOS09: Change UN Administrative and Assessment Procedures
This recommendation outlines several changes in the United States' fiscal relationship with the United Nations, including recommending an oversight office for the organization and tax law changes to reduce costs to the federal government.

GAO Comments
We strongly endorse seeking support for the creation of an independent

U.N. Inspector General or similar body to ensure adequate accountability and oversight of U.N. operations and finances. We have recommended this action for some time, and in 1992 report and again in a 1993 letter to the President of the Federal Court of Audit of Germany, we provided a conceptual framework for an accountability and oversight entity. In August 1993, the U.N. Secretary General appointed an Assistant Secretary General to head an independent Office for Inspections and Investigations. However, this appointment was seen as an interim measure until an independent body to ensure accountability and oversight could be chartered by the U.N. General Assembly. We have been working regularly with the State Department on this matter. We have also recommended a reexamination of U.N. assessment procedures and practices, particularly in light of recent political changes in the world and revised estimates of national income by the International Monetary Fund. We have not studied the tax law changes recommended by NPR.

Recommendations With Which GAO Generally Agrees

DOS01: Expand the Authority of Chiefs of Mission Overseas
This recommendation proposes a pilot program to expand the management authority of Chiefs of Mission overseas in the allocation of fiscal and staffing resources.

GAO Comments
Although we have not yet taken a position on the level of authority that should be granted to the Chief of Mission, we support the recommendation for a pilot study. We are currently reviewing the size and costs of U.S. government overseas staffing and the processes and mechanisms used to determine staffing needs. As part of this work, we are examining the Chief of Mission's role in controlling the size and the composition of government staff at U.S. embassies and consulates. We believe that the expanded Chief of Mission authority recommended by NPR may help to achieve reductions in overall spending at embassies and ensure that resources are targeted on priority goals and objectives. However, there may also be some negative consequences. For example, the Chief of Mission could use the expanded authority to discontinue activities that a federal agency and/or Congress believes are essential. In addition, jurisdictional issues within the executive and legislative branches may make it difficult to implement the recommendation.

To determine if expanded Chief of Mission authority is feasible and can achieve savings without significant negative consequences, we believe that conducting a study of the concept would be worthwhile. Careful

evaluation of the study should be performed before expanded authority over all resources and staffing is granted to all Chiefs of Mission. In addition, we believe that missions of varying size should be considered as sites for the pilot program.

DOS02: Integrate the Foreign Affairs Resource Management Process

NPR recommends specific reforms of the interagency foreign policy resource management process to improve coordination. The recommendation also covers specific improvements within the Department of State.

GAO Comments

We have not reviewed the government's processes for allocating resources to the various foreign affairs objectives. Neither have we reviewed the specific reforms that NPR recommends. However, we recognize that effective use of limited resources requires a strategic planning and budgeting process that allocates resources to the most important priorities. For example, in March 1992, we recommended a strategic management approach to help the Agency for International Development face current and future challenges.

Current U.S. government processes for allocating resources to U.S. foreign affairs objectives are fragmented among many different agencies, budget functions, and congressional committees. Developing a more integrated approach will not be easy (DOS01 proposes one approach). However, we believe that implementation of NPR's recommendations could assist government decisionmakers to focus on the range of U.S. foreign affairs objectives, the agencies involved, and the costs of programs. This focus would help ensure that available resources are allocated in accordance with priorities.

Within the State Department, we agree with NPR that management can improve the way priorities are set and resources allocated through (1) a more strategic, mission-driven approach; (2) better integration of program planning with budget formulation and allocation of funds; and (3) refinements to the program planning process.

DOS03: Improve State Department Efforts to Promote U.S. Business Overseas

International trade is an important responsibility of U.S. missions overseas in the post-Cold War world. This recommendation outlines several improvements that can be made in State Department efforts in this area.

GAO Comments

We have not examined the specific actions recommended by NPR, but agree that State can make a major contribution to efforts to promote U.S. business interests overseas. U.S. economic and commercial interests overseas have become a higher priority in today's world. However, State's efforts should be coordinated with and complement those of the Departments of Commerce and Agriculture, which play leading roles in promoting U.S. exports and other business activities overseas.

DOS05: Reduce Mission Operating Costs

Several recommendations are made for reducing U.S. costs to operate missions overseas, including eliminating certain facilities, reducing security costs and considering altogether new forms of overseas representation.

GAO Comments

We have not examined the specific cost-cutting actions recommended by NPR, but support the general thrust of the recommendations. In a number of reports we have urged actions to correct management weaknesses affecting overseas posts in the areas of real estate, property and funds, administrative services, and other areas. We believe that improved management can reduce costs.

For many years, we have reported long-standing problems with the Department's overseas real estate programs. As a result of the problems, the Comptroller General designated management of overseas real property as an area at high risk for waste and mismanagement. State is taking actions to improve its management practices. However, it is important that the Department continues its commitment to management reforms and provides strong oversight of overseas real estate actions.

We also believe that State and other foreign affairs agencies need to take a hard look at their current overseas activities and the associated costs, and decide if the activities remain essential and affordable given the changing world and current budget limitations. In an ongoing review, we are

examining opportunities to adopt new forms of overseas representation to reduce costs.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

DOS07: Relocate the Mexico City Regional Administrative Management Center
NPR recommends moving this administrative support office to the United States to save money and recommends examining the need for similar offices now in Paris and Bangkok.

GAO Comments
We have not studied the advantages and disadvantages of relocating the Regional Administrative Management Centers to the United States. Embassies need accurate and timely financial information and services. However, our work indicates that some embassies are dissatisfied with the services provided by the regional centers. We support efforts to improve the quality and timeliness of administrative financial support services whether through improvement of existing centers or their relocation to the United States.

Additional Areas of GAO Concern

None.

Related GAO Products

Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992) relates to DOS02, DOS03, DOS05, and DOS06.

AID Management: Strategic Management Can Help AID Face Current and Future Challenges (GAO/NSIAD-92-100, Mar. 6, 1992) relates to DOS02.

Overseas Staffing: Embassies in the Former Soviet Union (GAO/NSIAD-92-306, Aug. 31, 1992) relates to DOS03.

Overseas Staffing: U.S. Economic, Commercial, and Agricultural Staffing in Japan and Korea (GAO/NSIAD-92-162, Apr. 24, 1992) relates to DOS03.

State Department: Survey of Administrative Issues Affecting Embassies (GAO/NSIAD-93-218, July 12, 1993) relates to DOS04, DOS05, and DOS07.

Financial Management: Serious Deficiencies in State's Financial Systems Require Sustained Attention (GAO/AFMD 93-9, Nov. 13, 1992) relates to DOS04.

Widespread Weaknesses at Overseas Embassies (GAO/T-NSIAD-93-17, July 13, 1993) relates to DOS05.

State Department: Management Weaknesses at U.S. Embassies in Panama, Barbados, and Grenada (GAO/NSIAD-93-190, July 9, 1993) relates to DOS05.

State Department: Management Weaknesses at the U.S. Embassy in Mexico City, Mexico (GAO/NSIAD-93-88, Feb. 8, 1993) relates to DOS05 and DOS07.

Management of Overseas Real Property (GAO/HR-93-15, Dec. 1992) relates to DOS05.

Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992) relates to DOS05.

State Department: Management Weaknesses in the Security Construction Program (GAO/NSIAD-92-2, Nov. 29, 1991) relates to DOS05.

State Department: Status of Actions to Improve Overseas Procurement (GAO/NSIAD-92-24, Oct. 25, 1991) relates to DOS05.

State Department: Efforts Underway to Enhance Management of Overseas Real Property (GAO/NSIAD-91-279, Sept. 5, 1991) relates to DOS05.

U.S. Embassy Moscow: Alternatives for Reconstruction and Their Costs (GAO/NSIAD-91-43FS, Dec. 28, 1990) relates to DOS05.

State Department: Efforts to Improve Management of Overseas Real Property (GAO/T-NSIAD-91-40, June 20, 1991) relates to DOS05.

State Department: Proposed Overseas Housing Standards Not Justified (GAO/NSIAD-90-17, Dec. 18, 1990) relates to DOS05.

State Department: Management of Overseas Real Property Needs Improvement (GAO/NSIAD-89-116, Apr. 13, 1989) relates to DOS05.

Department of State Issues (GAO/OCG-89-19TR, Nov. 1988) relates to DOS05.

State Department's Management of Real Property (GAO/T-NSIAD-89-1, Oct. 5, 1988) relates to DOS05.

Internal Controls: State Department Needs to Improve Management of Travel Advances (GAO/NSIAD-88-178, Aug. 15, 1988) relates to DOS05.

Overseas Support: Current U.S. Administrative Support System Is Too Complicated (GAO/NSIAD-88-84, Mar. 25, 1988) relates to DOS05.

Issues Regarding Consolidating International Broadcasting (GAO/NSIAD-93-302R, Sept. 17, 1993) relates to DOS06.

Questions on the Consolidation of U.S. International Broadcasting (GAO/NSIAD-93-286R, Sept. 17, 1993) relates to DOS06.

Letter to Senator Russell D. Feingold Responding to Questions on the Consolidation of International Broadcasting (July 14, 1993) relates to DOS06.

Voice of America: Management Actions Needed to Adjust to a Changing Environment (GAO/NSIAD-92-150, July 24, 1992) relates to DOS06.

Need for Study of U.S. International Broadcasting (GAO/T-NSIAD-90-24, Mar. 3, 1990) relates to DOS06.

State Department: Need to Ensure Recovery of Overseas Medical Expenses (GAO/NSIAD-92-277, Aug. 7, 1992) relates to DOS08.

State Department's Management of Its Travel Funds (GAO/T-NSIAD-88-21, Apr. 27, 1988) relates to DOS08.

U.N. Peacekeeping: Observations on Mandates and Operational Capability (GAO/T-NSIAD-93-15, May 24, 1993) relates to DOS09.

United Nations: U.S. Participation in Peacekeeping Operations GAO/NSIAD-92-247, Sept. 9, 1992) relates to DOS09.

Letter to the President of the Federal Court of Audit of Germany (Nov. 2, 1993) relates to DOS09.

Department of Transportation (DOT)

Overall Summary

As discussed in our December 1992 transition series report entitled Transportation Issues, resolving major transportation issues—such as rebuilding the nation's roads and bridges—will critically affect the economy. Furthermore, capital investments in transportation will have a profound effect on the mobility of people, the quality of the environment, and competitiveness in the international marketplace. Finally, transportation accidents claimed about 43,500 lives in the United States in 1991, making transportation safety a vital concern.

Overall, NPR's recommendations regarding the Department of Transportation (DOT) are consistent with the thrust of recommendations in our testimonies and reports. A number of NPR's recommendations have been made before, including the need to (1) use a cross-modal approach to problem solving, (2) institute a strategic planning process, and (3) develop an integrated national transportation research and development plan. As we noted in our transition series report, the challenge lies in the implementation of these recommendations. The legislative framework for doing so in the arena of surface transportation was enacted into law with the passage in 1991 of the Intermodal Surface Transportation Efficiency Act (ISTEA).

In addition to acting on NPR's recommendations, DOT faces several additional challenges, such as (1) ensuring that the nation's air travelers receive the benefits of deregulation from a highly competitive and financially healthy airline industry; (2) moving forward to address the future of passenger rail in the United States, including Amtrak's financial viability and operating efficiency as well as the benefits and costs of high-speed rail in selected corridors; (3) strengthening the Federal Aviation Administration's (FAA) and the Federal Railroad Administration's (FRA) inspection programs; (4) allocating FAA's limited funds under the Airport Improvement Program to projects that best achieve national goals; and (5) developing a plan for DOT's new consolidated Accounting and Financial Information System that strengthens the system's value as a management tool.

GAO Contact

Kenneth M. Mead, Director, Transportation Issues, Resources, Community, and Economic Development Division, (202) 512-2834.

Recommendations With Which GAO Agrees

DOT03: Use a Consensus-Building Approach to Expedite Transportation and Environmental Decisionmaking

DOT should conduct two demonstration projects to apply a problem-solving approach to transportation planning, development, and

decisionmaking as a means of reducing costs and improving the efficiency of agency decisionmaking.

GAO Comments

Consistent with our previous recommendations, we support applying a cross-modal problem-solving approach to transportation planning, development, and decision-making at the federal and state level. We understand that DOT has already initiated several efforts that use a consensus-building approach to expedite transportation and environmental decision-making at the federal level. We support these actions and suggest that DOT not restrict pilot programs for such activities to these efforts alone. Furthermore, we have recommended that the Secretary of Transportation develop a framework that provides common measures to assist states and localities in comparing highway and mass transit projects. Such a framework would aid efficient and effective transportation investment decisions at the state and local level.

DOT09: Contract for Level I Air Traffic Control Towers

NPR recommends converting 99 Level I (low-use) air control towers to contract operation and reviewing the remaining Level I towers for possible decommissioning.

GAO Comments

We support having FAA contract out low-activity towers and decommission towers that have been temporarily closed since the early 1980s. By contracting out low-activity towers, FAA estimates that it could save between $93 million and $101 million and reduce staff by about 900 through the year 2012 without negatively affecting safety. We are examining FAA's estimated resource savings and the barriers preventing the agency from moving forward to contract out and decommission low-activity towers.

DOT11: Improve Intermodal Transportation Policy Coordination and Management

DOT should institute a strategic planning process to promulgate national, integrated transportation policies.

GAO Comments

As we have previously noted in our reports and testimonies, we support establishing a strategic planning process as a first step towards ensuring a

total systems approach to selecting among transportation alternatives. However, a planning process alone may not be sufficient. DOT may need to consider organizational changes that coordinate the planning and financing arms of the separate modal administrations. One such change, suggested by the National Academy of Public Administration several years ago, would create a Surface Transportation Administration to encompass the missions currently performed by separate rail, highway, and transit agencies.

DOT12: Develop an Integrated National Transportation Research and Development Plan

DOT should examine the nation's transportation-related research and development portfolio and develop an integrated national transportation plan that considers specific transportation research needs as well as intermodal transportation plans.

GAO Comments

We support such an effort. On the basis of our recommendations on intelligent vehicle highway systems, Congress enacted into law a requirement that DOT develop a program of operational field tests in accordance with a strategic research plan. DOT needs to develop such a plan because it would be a necessary step towards enabling this family of technologies to fulfill its promise. Regarding FAA's Research, Engineering, and Development Program, we have reported that FAA's success in meeting current and future challenges will depend on several factors. These factors include integrating research goals into other program areas, leveraging research conducted by other federal agencies, and integrating various technologies to meet specific safety and capacity problems. In addition, we are currently examining DOT's management of university research grants.

DOT13: Create and Evaluate Telecommuting Programs

DOT should implement a telecommuting plan within the agency and should evaluate transportation-related behavior and other topics requiring research in this area.

GAO Comments

This proposal has merit and should be explored. We have recommended additional evaluation of telecommuting and transportation-related

behavior. Any research efforts undertaken in this area should be explicitly linked to DOT's research and development plan and budget.

DOT14: Improve DOT Information Technology Management
The department should develop an information management strategy which will enable the sharing of data among its component agencies and reduce costs.

GAO Comments
We agree with this recommendation and have previously recommended that the Secretary of Transportation report the lack of a complete departmental strategic Information Resources Management (IRM) plan as a material weakness under the Federal Managers' Financial Integrity Act. The Bureau of Transportation Statistics and the Office of Intermodalism, established by the enactment of ISTEA, would be important vehicles for (1) ensuring the integrity of the data and (2) facilitating the sharing of this information. Additionally, we have made similar recommendations to improve IRM management at the Coast Guard and FAA.

DOT15: Provide Reemployment Rights for Merchant Mariners
Guarantee reemployment rights to U.S. seafarers at their private sector jobs if called to serve during a war or national emergency.

GAO Comments
Bills have been introduced to secure reemployment rights and other benefits for merchant seamen equivalent to the rights and benefits provided for any member of a reserve component of the Armed Forces. This seems to be a fair and equitable measure.

DOT22: Assign Office of Motor Carriers (OMC) Field Staff to Improve Program Effectiveness and Reduce Costs
OMC should develop a resource allocation model so that regional managers will be able to optimize geographic assignment of staff, schedule carrier reviews in an efficient manner, and eliminate unnecessary travel requirements.

GAO Comments
We concur that motor carrier field staff should be located in the geographic areas where the greatest safety risks occur. The Federal

Highway Administration (FHWA) should utilize the experience gained from FRA, FAA, and the Research and Special Programs Administration regarding risk assessment modeling.

DOT23: Automate Administrative Requirements for Federal Aid Highway Projects

NPR recommends improvements in the flow of information on Federal Aid Highway projects that will reduce paperwork and reduce staff time in completing certain forms and other current requirements.

GAO Comments

We endorse the call for improvements, including automation, in the flow of information. In the course of our work, we have recognized the need for better information to gauge the condition of and any progress made in improving the transportation network. For instance, in 1991 we reported that while FHWA collects data on state expenditures for interstate highway maintenance, the data were not reliable because information from many states was missing or incomplete.

Recommendations With Which GAO Generally Agrees

DOT01: Measure Transportation Safety

NPR recommends the development of common, governmentwide measures of transportation safety.

GAO Comments

This recommendation has merit, but the development of such measures will likely be difficult and take several years to implement. Additionally, common, governmentwide safety indicators should supplement, but not replace, predictors of safety problems that are specific to the individual modes of transportation. Over the last several years, all modes have been working on developing mode-specific safety performance measures and predictors of safety problems. It is important that these efforts be brought to fruition.

As we recommended in our management review of DOT and in numerous reports and testimonies, the individual modes should establish precursors of safety risk—that is, conditions or circumstances that, if left uncorrected, lead to accidents. The ultimate goal of DOT's safety programs is to prevent accidents and their consequences: death, injury, and property damage. We previously reported that in most instances, accident rates, especially in the rail and aviation areas, do not provide the most reliable

basis on which to target inspection resources. There are two major reasons: (1) once the accident has occurred, it is too late to prevent it and (2) accidents occur too infrequently to be good indicators of all safety problems. For example, if noncompliance with certain safety regulations would likely lead to runway incursions, a precursor indicator of safety risk might be noncompliance with that regulation.

Efforts by the individual modes to develop precursors of safety risk would better position the Department to delineate common measures of safety because doing so requires that the elements of a transportation system common to all modes be identified. For example, every accident has associated dollar costs, and the use of any mode can be expressed in terms of output (e.g., cost per passenger mile or per ton mile) or per unit of exposure (e.g., cost per hour or per trip). Greater standardization makes it easier to compare the benefits of added expenditures on safety across modes. We are currently analyzing information on (1) the safety record for each major transportation mode, (2) the potential for safety to be measured comparably across modes, and (3) each mode's safety strategy. Because this NPR recommendation contemplates a DOT-wide effort and its implementation would likely involve designing and distributing new data collection instruments and improving and/or modifying existing data bases, it is essential that the newly established Bureau of Transportation Statistics have a central role in such an effort.

DOT05: Permit States to Use Federal Aid as a Capital Reserve
This recommendation would allow federal transportation grant recipients to use grant funds capital reserve to back debt financing to construct eligible transportation projects.

GAO Comments
Section 1012 of ISTEA already provides for the use of federal funds as a capital reserve to back debt financing for one category of transportation projects: toll roads. The experience gained in financing toll roads should be considered in determining the broader applicability of this recommendation.

DOT07: Examine User Fees for International Over-Flights
DOT should conduct a cost allocation study to determine whether foreign air carriers passing over U.S. air space are paying their fair share and whether direct user fees should be imposed.

GAO Comments

We agree that commercial users of the nation's air space should, to the maximum extent practical, pay their fair share of the burden that they impose on the system, as U.S. commercial aviation already does. At present, foreign airlines do not pay any fee when passing through our nation's air space. The situation is much different overseas. For example, U.S. carriers flying through European air space pay user fees that many airlines, both American and European, believe are excessive. Assuming that the current funding system (i.e., the trust fund) continues, DOT should conduct a cost allocation study to determine the feasibility of imposing direct user fees on foreign carriers for international overflights.

DOT08: Increase FAA Fees for Inspection of Foreign Repair Facilities

To ensure full cost recovery, increase the fees charged for certification and surveillance of foreign aircraft repair stations.

GAO Comments

We agree with the concept of full cost recovery of FAA's expenses for foreign repair stations. FAA already charges a fee to certify foreign repair stations. Further consideration should be given to accelerating FAA's implementation of proposed regulations for increasing the $5 aircraft registration fee. However, consideration should also be given to the fact that some countries may not have the financial means to pay for continued FAA surveillance of the repair stations.

DOT10: Establish a Public-Private Consortium to Develop an Aeronautical Telecommunications Network

FAA should pursue the creation of a public-private consortium under a cooperative agreement with industry to develop an Aeronautical Telecommunications Network.

GAO Comments

We generally agree with the notion of creating a public-private consortium to develop the Aeronautical Telecommunications Network. A public-private partnership, by accelerating the development of the data communication system, has the potential to shorten the procurement cycle for the system. We hesitate to support the recommendation fully without having more specific information about the proposed consortium.

Although FAA has been working with industry on a proposal promoting the creation of this consortium, the proposal has not been made public.

DOT16: Establish an Independent Commission to Review the U.S. Maritime Industry

NPR recommends a detailed examination of the future of the maritime industry in the U.S. and the benefits derived by the taxpayers from maritime industry subsidies and related issues.

GAO Comments

At the heart of this issue are fundamental questions about the role the maritime industry is expected to play during both times of peace and times of conflict. Maritime reform has been proposed repeatedly over the years by both the executive and legislative branches without resolution. For example, during the closing months of the Bush administration, the Secretary of Transportation proposed major maritime reforms that were not adopted. If an independent commission, as suggested by NPR, would facilitate resolution of the issues surrounding the current vague and uncertain U.S. maritime policy, it would be welcome.

DOT17: Eliminate Funding for Highway Demonstration Projects

Rescind funding for existing highway demonstration projects. These demonstration projects should compete at the state level for the limited highway resources available and not be singled out for special treatment at the federal level.

GAO Comments

As stated in our report and testimony (GAO/RCED-91-146 and GAO/T-RCED-93-29), highway demonstration projects frequently face impediments, such as citizen opposition or failure to satisfy key state transportation priorities, that can cause projects to languish in the early development stages or never get started at all. We support rescinding unobligated balances for those projects that are clearly inactive as well as for those projects that are complete but still carry an unobligated balance. Criteria for defining inactive projects should provide a basis for the rescissions. One option would be to require that funds be obligated within 4 years of their allocation. This approach is in keeping with the rules that govern most other federal-aid highway program categories. At the 4-year point, the funds could be rescinded, redistributed to other projects within

the affected state, or distributed under other arrangements Congress directs.

While we agree that most highway projects should compete at the state level for limited resources, it should be noted that in limited instances, targeting federal funds for a special project may be appropriate. Projects that demonstrate new technology that is widely applicable could be one such instance. To help ensure that such demonstration projects are sound investments, both the House appropriating and authorizing committees have recently developed screening mechanisms for considering the merits of individual projects.

DOT19: Rescind Unobligated Earmarks for the FTA New Starts and Bus Program

Rescind unobligated balances for fiscal year 1992 and prior earmarked funding under this FTA program that remain unobligated after three years.

GAO Comments

We agree with the recommendation to rescind unobligated balances but only for inactive or completed projects funded by the Federal Transit Administration (FTA). We urge caution in blanket rescissions because there may be acceptable reasons for a project's inability to obligate funds over time. Criteria to define inactive projects need to be developed.

DOT20: Reduce the Annual Essential Air Service Subsidies

This recommendation would set new, more restrictive criteria for small airports to qualify for essential air service subsidies.

GAO Comments

Pending legislation could reduce by 11 the number of communities that qualify for the subsidy. The Essential Air Service (EAS) program currently affects roughly 300 smaller communities in the United States. This program is relatively small, accounting for less than $40 million in 1992. The EAS program is often described by critics as uneconomical and as an unwarranted subsidy to small communities. However, when the airline industry was deregulated in 1978, Congress guaranteed that small communities would continue to be connected to the nation's air system through direct service to a medium or large airport for a period of 10 years. Congress later extended the program for an additional 10 years and has made other adjustments to this policy over the years. The communities

that benefit maintain that they would be adversely affected if the assistance were terminated and direct access to the nation's air transport network were lost.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

DOT02: Streamline the Enforcement Process
NPR recommends pilot programs in the U.S. Coast Guard, the Federal Aviation Administration, and the Federal Highway Administration, designed to offer greater flexibility in enforcement methods.

GAO Comments
We would have to better understand the type of flexibility envisioned before we could support this recommendation. For example, FAA already has a program that grants amnesty from penalties to air carriers that voluntarily report safety violations to FAA. It is not clear whether such an amnesty program falls within the definition of flexibility and whether each transportation mode could implement similar programs.

Additionally, before more flexibility is added, there must be assurance that the integrity of the underlying program for each mode is strong. We have found that several modes could greatly improve their inspection and enforcement programs. For example, we previously reported that FRA could enhance its enforcement program by seeking options to more expeditiously settle civil penalty cases. At the time of that report, FHWA was testing a system in which regional directors could send civil penalty letters directly to motor carriers. We suggested that FRA could adopt a similar process by having its regional offices formally notify railroads of violations and penalty assessments. In addition, our ongoing work indicates that FAA could improve its enforcement efforts for foreign carriers that fly into the United States.

DOT04: Establish a Corporation to Provide Air Traffic Control Services
NPR recommends development of a detailed action plan and statutory language for changes in air traffic control management to make it more business-like.

GAO Comments

This NPR recommendation is the subject of an analysis we have under way. We expect to testify on this extremely controversial issue this winter or early spring. In 1988, we expressed reservations about the contention that air traffic control modernization problems, including schedule delays and costs increases, were largely the result of federal budget constraints and procurement and personnel rules. The primary causes of these problems, in our view, were poor management of the modernization program and the technical complexity of developing advanced technologies. It was not clear to us how a change in FAA's organizational structure would address these problems. Given the passage of time since our last examination of these and similar matters, we are now evaluating three key issues that are germane to this NPR recommendation. These issues involve the linkage between FAA's structure and modernization problems, opportunities to improve the modernization program within the current structure, and the justifications and analyses needed by Congress if the administration proposes that the air traffic control system be run by a public corporation. The analyses needed include an examination of the potential impacts of restructuring on stakeholders, financing, management, and rate-setting as well as on federal oversight, regulations, and coordination.

DOT06: Encourage Innovations in Automotive Safety

NPR recommends allowing the National Highway Traffic Safety Administration to grant more exemptions from highway safety standards to develop new safety systems.

GAO Comments

We have no basis for agreeing or disagreeing with this recommendation without more specific data on what safety standards would be exempted and what new safety systems would replace the exempted standards. We think that as a part of implementing this recommendation, an effective process for evaluating the expected benefits of the new safety systems needs to be in place before existing safety standards are waived. We would, of course, support alternative safety systems to the extent that they provide the same or greater safety and are as effective and efficient as the current ones.

DOT18: Reduce Spending for the U.S. Merchant Marine Academy

As an economy measure, federal funding for the U.S. Merchant Marine

Academy should be cut by half. The Academy should be given the ability to charge tuition to cover a portion of its operations.

GAO Comments

While implementing this recommendation might lead to budget savings, we do not have sufficient information to evaluate the impact that requiring students to pay part of their tuition would have on enrollment. In DOT16, NPR recommended that an independent commission be established to review the U.S. maritime industry. The future of the Academy could well depend on the outcome of the commission's review. Consequently, it may be premature to decide on the appropriate level of funding for the Academy until the commission's study is completed.

DOT21: Terminate Grant Funding for Federal Aviation Administration Higher Education Programs

To reduce costs, eliminate federal grant funding of two FAA post-secondary education programs.

GAO Comments

We have not evaluated either of these programs, but we do have several observations to make on the basis of the body of work we have performed concerning FAA's workforce. We have testified that the Office of Personnel Management's register includes over 25,000 people qualified to seek employment as air traffic controllers. This large backlog, and the administration's decision to allow controllers fired during the strike to compete for employment, should be considered in determining whether the Collegiate Training Initiative Program for air traffic controllers should be retained. If Congress decides to terminate this program, it should consider using a phased approach to minimize the impact on the students involved.

Regarding the Airways Science Curriculum Program, the stated purpose of the program is to develop a base of aviation technicians and managers for FAA and for the aviation industry. While a recent report by DOT's Inspector General found that the program offered little benefit to FAA, we have not conducted a review to determine whether there is a continuing need for this program or how the program affects the aviation industry.

Additional Areas of GAO Concern

Although the NPR report covers many of the major issues affecting DOT, it does not address five transportation issues that, in our opinion, warrant attention. These issues include the following:

- DOT needs to ensure that the nation's air travelers receive the benefits of deregulation from a highly competitive and financially healthy airline industry.
- DOT needs to address the future of passenger rail in the United States, including Amtrak's financial viability and operating efficiency as well as the benefits and costs of high-speed rail in selected corridors.
- FAA does not have an effective system for monitoring inspection findings and ensuring that airlines take appropriate corrective actions. We have made recommendations to help correct these weaknesses and long-standing problems in FAA's Safety Indicators Program, including unreliable data and limited user involvement in designing the data collection and analysis system. DOT's Office of Inspector General has also identified significant weaknesses in FAA's inspection program. Similarly, we have reported that FRA could enhance its enforcement programs by more expeditiously settling civil penalty cases.
- FAA's approach to airport development needs to be strengthened by allocating the limited funds in the Airport Improvement Program to projects that best achieve national goals, such as reducing flight delays and increasing airport capacity, while at the same time preserving environmental quality. In order to compare the ability of competing projects to achieve such goals, FAA needs to collect better data and improve analytical methods.
- DOT has consolidated 14 separate accounting systems into a single departmental Accounting and Financial Information System. To realize the full potential of the system and strengthen its value as a management tool, DOT needs to develop a plan that contains clear objectives, resource estimates, and timetables.

Related GAO Products

Transportation Issues (GAO/OCG-93-14TR, Dec. 1992) relates to the overall summary, most of NPR's recommendations, and additional areas of GAO concern.

Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management (GAO/RCED-87-3, Apr. 13, 1987) assessed DOT's management, analyzed problems and determined their underlying causes, and recommended actions to improve operations. Therefore, it relates to NPR's recommendations for DOT in general.

Aviation Safety: Progress on FAA Safety Indicator Program Slow and Challenges Remain (GAO/IMTEC-92-57, Aug. 31, 1992) relates to DOT01 and DOT14.

Railroad Safety: Weaknesses Exist in FRA's Enforcement Program (GAO/RCED-91-72, Mar. 22, 1991) relates to DOT02.

Financial Management: Internal Control Weaknesses in FRA's Civil Penalty Program (GAO/RCED-91-47, Dec. 26, 1990) relates to DOT02.

Transportation Infrastructure: Urban Transportation Planning Can Better Address Modal Trade-offs (GAO/RCED-92-112, Apr. 2, 1992) relates to DOT03.

Aviation Safety: Unresolved Issues Involving U.S.-Registered Aircraft (GAO/RCED-93-135, June 18, 1993) relates to DOT08.

Aviation Certification: Limited Progress on Developing International Design Standards (GAO/RCED-92-179, Aug. 20, 1992) relates to DOT08.

Aircraft Maintenance: Additional FAA Oversight Needed of Aging Aircraft Repairs (Vols. I and II) (GAO/RCED-91-91A and B, May 24, 1991) relates to DOT08.

FAA Budget: Important Challenges Affecting Aviation Safety, Capacity, and Efficiency (GAO/T-RCED-93-33, Apr. 26, 1993) relates to DOT09, DOT21, and DOT22.

Aviation Research: Actions to Enhance the Effectiveness of FAA's Research Activities (GAO/T-RCED-93-40, May 20, 1993) relates to DOT12.

Urban Transportation: Reducing Vehicle Emissions With Transportation Control Measures (GAO/RCED-93-169, Aug. 3, 1993) relates to DOT13.

Transportation Safety: Information Strategy Needed for Hazardous Materials (GAO/IMTEC-91-50, Sept. 25, 1991) relates to DOT14.

FAA Information Resources: Agency Needs to Correct Widespread Deficiencies (GAO/IMTEC-91-43, June 18, 1991) relates to DOT14.

Coast Guard: Strategic Focus Needed to Improve Information Resources Management (GAO/IMTEC-90-32, Apr. 24, 1990) relates to DOT14.

Surface Transportation: Budget Issues and Optimizing Investment Returns (GAO/T-RCED-93-29, Apr. 22, 1993) relates to DOT17.

Highway Demonstration Projects: Improved Selection and Funding Controls Are Needed (GAO/RCED-91-146, May 28, 1991) relates to DOT17.

High-Risk Series: Federal Transit Administration Grant Management (GAO/HR-93-16, Dec. 1992) relates to DOT19.

Airport Improvement Program: Opportunity to Consider FAA's Role in Meeting Airport System Needs (GAO/T-RCED-93-43, May 26, 1993) relates to DOT20 and additional areas of GAO concern.

FAA Reauthorization: Opportunity Exists to Address Safety, Capacity, and Efficiency Issues (GAO/T-RCED-93-75, Sept. 28, 1993) relates to DOT21.

Railroad Safety: New Approach Needed for Effective FRA Safety Inspection Program (GAO/RCED-90-194, July 31, 1990) relates to DOT22.

Pipeline Safety: New Risk Assessment Program Could Help Evaluate Inspection Cycle (GAO/RCED-89-107, Mar. 7, 1989) relates to DOT22.

Transportation Infrastructure: Preserving the Nation's Investment in the Interstate Highway System (GAO/RCED-91-147, Aug. 2, 1991) relates to DOT23.

Airspace System: Emerging Technologies May Offer Alternative to the Instrument Landing System (GAO/RCED-93-33, Nov. 13, 1992) relates to additional areas of GAO concern.

Department of the Treasury/Resolution Trust Corporation (TRE)

Overall Summary

We have issued many reports and testified many times in the past few years on major management issues facing the Department of the Treasury and the Resolution Trust Corporation (RTC)—issues like modernization of the Internal Revenue Service's antiquated systems and work processes, development of a strategic management process in Customs, better agency coordination, enhanced tax compliance, and improved asset management. Many of the NPR recommendations are consistent, at least in concept, with positions we have taken in those products. Our agreement with some of the recommendations is tempered, however, by a lack of sufficient information as to the specific changes being proposed.

NPR has correctly articulated, as one of its key principles, the need to put customers first. One important customer service issue that seems to have been overlooked by NPR, however, is the problem taxpayers have in reaching IRS over the telephone. IRS' performance in this area is poor and is getting worse.

GAO Contact

Jennie S. Stathis, Director, Tax Policy and Administration Issues, General Government Division, (202) 512-5407.

Recommendations With Which GAO Agrees

TRE02: Improve Border Management
Federal border management should be significantly improved. NPR recommends a series of actions to be taken by Customs and INS to make these improvements.

GAO Comments
Customs and INS have a long history of interagency rivalry, poor coordination, and ineffective cooperation despite sharing responsibility for primary inspections at land border ports of entry. We have recommended that OMB, working with Treasury and Justice, develop a proposal for ending the dual management of border inspections.

TRE03: Redirect and Better Coordinate Resources Dedicated to the Interdiction of Drugs
This recommendation outlines changes that can be made to better coordinate federal programs directed at the air interdiction of drugs.

GAO Comments
We agree. Given worldwide drug production capacity, domestic demand, and the resourcefulness of drug smugglers to adapt to U.S. enforcement

initiatives, the overall availability of drugs in this country has not been diminished despite substantial increases in air interdiction efforts and related drug seizures. The commitment of resources should not be made without considering the potential effectiveness of alternative efforts, both supply and demand, and should be based on achieving measurable goals. Also, to better coordinate agency efforts, improvements in information system interoperability, data integrity, security, and overall intelligence information management are needed.

TRE04: Foster Federal-State Cooperative Initiatives by the IRS
Cooperative relationships between the IRS and state tax administrations, including joint filing of data, should improve taxpayer service as well as collection activity while reducing costs.

GAO Comments
We fully support such relationships and have recommended that IRS identify and implement ways to increase cooperation with state governments in collecting delinquent taxes. We have also noted the growing cooperation between IRS and states in the joint electronic filing of income tax returns.

TRE09: Modernize the IRS
The IRS Tax System Modernization (TSM) initiative, currently in its initial stages, would ease taxpayer burdens due to manual return processing and inaccessible information, and enable IRS to provide a level of service comparable to private sector financial institutions.

GAO Comments
We fully support the need to modernize IRS and have been active in monitoring IRS' efforts to ensure that appropriate steps are taken to bring this major effort to fruition and to take full advantage of the opportunities afforded by the new technology.

TRE10: Modernize the U.S. Customs Service
NPR recommends a number of changes in Customs' organization and management processes to provide an improved management structure and strategic vision.

GAO Comments

We agree. Customs cannot adequately ensure that it is meeting its responsibilities to combat unfair foreign trade practices or protect the public from unsafe goods. We have recommended that Customs institute a strategic management process that defines a clear trade enforcement strategy, sets mission priorities, establishes performance objectives, and monitors progress toward achieving them. We also recommended the adoption of an organizational structure that more adequately supports the achievement of Customs' trade enforcement mission. Customs is taking action on these recommendations.

TRE11: Ensure the Efficient Merger of Resolution Trust Corporation into the FDIC

The merger of the RTC and the FDIC should ensure the transfer of RTC expertise not currently held by the FDIC in order to provide the most efficient administration of these asset-disposition functions.

GAO Comments

We agree with this recommendation. The merger of RTC with FDIC offers the opportunity to combine the expertise of these organizations and improve the efficiency of asset management and disposition activities. We believe that FDIC can benefit from RTC's experiences—both positive and negative—in developing systems and procedures for asset marketing and disposition, information management, contracting, and affordable housing. As the transition progresses, RTC and FDIC should keep Congress informed so that changes in operations are responsive to congressional concerns. Key decisions about strategies, staffing, and organization should be objective and based on careful analysis.

TRE16: Improve Agency Compliance with Employment Tax Reporting Requirements

Many federal agencies do not fully comply with federal tax reporting requirements. Responsibilities for compliance should be more fully communicated and enforced.

GAO Comments

We agree that attention needs to be given to federal agency compliance with employment tax reporting requirements. We first reported on this problem in April 1991 and followed with a February 1992 update that showed compliance problems continuing.

Recommendations With Which GAO Generally Agrees

TRE01: Improve the Coordination and Structure of Federal Law Enforcement Agencies

NPR recommends the designation of the Attorney General as the Director of Law Enforcement to coordinate federal law enforcement efforts. It also recommends changes in the alignment of federal law enforcement responsibilities.

GAO Comments

We support the need for greater coordination of the numerous agencies involved in federal law enforcement. The decentralized operations, including the 94 U.S. Attorneys and the various investigative agencies within Justice and Treasury, complicate efforts by the Department of Justice to coordinate and direct a wide variety of initiatives and programs to fight crime. We have not taken a position as to whether the various law enforcement agencies should be consolidated into one or more agencies.

TRE05: Simplify Employer Wage Reporting

The administrative burden caused by our current employer wage-reporting requirements could be reduced while maintaining or improving the effectiveness of government operations by developing and implementing a simplified wage reporting system.

GAO Comments

We agree that there are problems with the current wage reporting requirements and fully support attempts to simplify. We would need to know more, however, about the particulars. In 1989, we reported on our assessment of three possible alternatives to the current system including one that involved establishing a single point to receive and process wage data for IRS, SSA, and the states. We concluded that although there were advantages to each alternative, none were compelling enough to warrant a change to the existing process in the near term.

TRE06: Establish Federal Firearms License User Fees to Cover Costs

The current fee for a retail dealer's firearms license (authorized in 1968) does not cover the cost of license processing and is low enough to encourage applications from individuals wishing to occasionally purchase firearms at reduced cost. Increased fees would recover the cost of operating the firearms program.

GAO Comments

Although we have not completed a detailed review of firearms licensing fees, we believe, as a matter of principle, that licensing fees should be set (and periodically adjusted) to recover the costs of related government services. This would include making decisions on such issues as (1) the extent to which compliance inspection costs should be recovered and (2) whether all categories of related fees, e.g., license fees for firearms manufacturers, importers and pawnbrokers, should be adjusted. The extent to which these issues have been addressed by NPR is unclear at this time.

TRE07: Improve the Management of Federal Assets Targeted for Disposition

Improvements are needed in the methods by which the federal government disposes of various assets.

GAO Comments

We have assessed the asset disposition activities of selected agencies—General Services Administration, Resolution Trust Corporation, Customs Service, Marshals Service, and Internal Revenue Service—and have identified the need for improvements by these agencies. We have also initiated work to evaluate asset disposition practices on a governmentwide basis, but as yet do not have enough information to comment on the recommendation from this broader perspective.

TRE08: Reduce the Duplication of Drug Intelligence Systems and Improve Computer Security

NPR recommends several changes to eliminate duplication in the federal drug intelligence system.

GAO Comments

We agree in principle but are uncertain as to the specifics of the recommendation. Fragmentation and duplication in the intelligence area are an outgrowth of the overlap in responsibilities among the numerous law enforcement and defense agencies involved in countering drug-trafficking activities. We have also reported on inadequate physical and operational controls over computer security, absence of contingency plans, and lack of computer security training. We believe that strong leadership, such as by the Office of National Drug Control Policy (the office responsible for overseeing the implementation of national drug

policies) is a key factor in streamlining the intelligence effort without compromising security.

TRE13: Streamline Background Investigations for Federal Employees

The current method of completing background examinations of federal employees is time-consuming and inefficient. This recommendation outlines improvements to streamline the process without sacrificing thoroughness.

GAO Comments

We have not specifically reviewed this issue with respect to Treasury employees. But, given our past work at other agencies, we endorse the concept of streamlining background investigations provided that thoroughness is not jeopardized, particularly with respect to the investigation of employees for sensitive positions such as those in law enforcement.

TRE15: Increase IRS Collections Through Better Compliance Efforts

NPR supports the current efforts of the IRS under Compliance 2000 to improve voluntary compliance and other efforts to collect taxes already owed to the federal government.

GAO Comments

We have long been on record as supporting the need for improved compliance efforts. While supporting Compliance 2000 in concept, we have not fully endorsed IRS' implementation of that concept. It is also not clear what, if anything, NPR is recommending beyond what IRS is already doing.

TRE17: Authorize Federal Tax Payment by Credit Card

Legislation should be enacted to allow certain taxpayers to make tax payments with a credit card.

GAO Comments

We support the general recommendation of payment of taxes by credit card. However, we have identified several issues that need to be addressed before this recommendation could be implemented. For example, how

would federal taxes paid with a credit card be treated in bankruptcy proceedings? Under current law, federal taxes are generally not dischargeable in bankruptcy. However, consumer indebtedness owed on credit cards is subject to discharge in bankruptcy proceedings.

TRE19: Repeal Section 5010 of the Internal Revenue Code to Eliminate Tax Credits for Wine and Flavors

The wine and flavors tax credit should be repealed.

GAO Comments

We agree that section 5010 should be repealed, and we so recommended in a September 1990 report. Our recommendation, however, was predicated on Congress first taking steps to standardize alcohol excise tax rates across products on the basis of the percentage of alcohol in a beverage regardless of the mix of ingredients. Our analysis had indicated that differing rates had originally prompted Congress to enact the credit. It is unclear whether NPR's recommendation anticipates the standardization of rates.

TRE20: Amend or Repeal Section 5121 of the Internal Revenue Code Requiring Special Occupational Taxes on Retail Alcohol Dealers

This recommendation would increase federal income from alcohol dealers.

GAO Comments

We agree that Congress needs to consider changing the special occupational tax provisions. As we reported in September 1990, those taxes, primarily paid by alcohol retailers, are difficult to collect and administer. We suggested two alternatives: (1) eliminating the special occupational taxes and offsetting the revenue loss through a slight increase in existing excise taxes or (2) keeping the special occupational taxes but collecting them only from alcohol producers and importers and varying the tax on the basis of the size of the facility. We are unclear as to the specifics behind NPR's recommendation.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

TRE12: Reduce the Duplication of Law Enforcement Training Facilities

Overlap and duplication in the provision of federal law enforcement training facilities should be examined. Multi-agency training needs should be accommodated through existing facilities in lieu of the construction of new facilities by individual agencies.

GAO Comments

Although we have not studied this issue, this is an area where we would agree that further examination could prove worthwhile. Law enforcement agencies, while having unique missions that require individualized training, frequently have overlapping jurisdictions and perform functions that require similar or identical knowledge and skills.

TRE14: Adjust Civil Monetary Penalties to the Inflation Index

Civil monetary penalties have not been adjusted to keep up with inflation. Under this recommendation, a "catch-up" adjustment would be made and the need for additional inflation adjustments would be automatically reassessed by the government every four years.

GAO Comments

At this time we have insufficient information to assess the basis for or desirability of this recommendation. Our work on civil debt and criminal fines indicates that a major problem is collecting the criminal and civil fines and penalties now imposed. Recent Justice estimates indicate that the total amount of unpaid criminal debt exceeded $1.6 billion, and the balance continues to grow.

TRE18: Modernize the Financial Management Systems

NPR recommends several changes to improve financial management with Treasury, including consolidation of some operations, the improved use of technology, and other actions.

GAO Comments

We have an extensive body of work that supports the need for and recommends the modernization of financial management systems. We do not know what specific changes the NPR is recommending for Treasury. However, along with improving technology, it is imperative that efforts to improve financial management systems include systems and control improvements that will enable the Treasury and its Bureaus to prepare and

report auditable financial information. We recently completed audits of the IRS and Customs—two major Treasury Bureaus—and neither was able to obtain an unqualified audit opinion. The financial management systems of these Bureaus were not designed to generate important cost, revenue, and performance data. Further, these Bureaus' policies and procedures were not sufficiently developed and implemented to ensure that correct data were processed. Lack of information impairs these agencies' ability to manage their operations and protect their resources. For example, IRS could not readily determine how much of the delinquent taxes it had recorded was legitimate receivables and how much was not. These problems, if not rectified, will render the modernization efforts virtually useless because the result will be bad information processed faster.

Additional Areas of GAO Concern

Chapter 2 of the NPR report, "Putting Customers First," appropriately commends IRS for improving the accuracy of its toll-free telephone service for taxpayers—up now to 89 percent. At the same time, however, taxpayers are having problems reaching IRS to ask their questions. During the first 3 months of the 1993 filing season, for example, IRS received about 55 million calls, but IRS staff only answered about 13 million. The rest of the taxpayers either got busy signals or were put on hold and hung up before an assistor got on the line. There is nothing in the NPR recommendations directed at correcting this poor customer service. We recently started a job to review taxpayers' accessibility to IRS' toll-free telephone sites.

Related GAO Products

Justice Issues (GAO/OCG-93-23TR, Dec. 1992) relates to TRE01.

Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened (GAO/GGD-93-48, Jan. 8, 1993) relates to TRE01.

Bank and Thrift Fraud: Overview of the Federal Government's Response (GAO/T-GGD-92-12, Feb. 6, 1992) relates to TRE01.

Justice Department: Coordination Between DEA and the FBI (GAO/GGD-90-59, Mar. 21, 1990) relates to TRE01.

War on Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991) relates to TRE01, TRE03, and TRE08.

Customs Service and INS: Dual Management Structure for Border Inspections Should Be Ended (GAO/GGD-93-111, June 30, 1993) relates to TRE02.

Drug Control: Heavy Investment in Military Surveillance Is Not Paying Off (GAO/NSIAD-93-220, Sept. 1, 1993) relates to TRE03.

Drug Interdiction: Funding Continues to Increase but Program Effectiveness Is Unknown (GAO/GGD-91-10, Dec. 11, 1990) relates to TRE03.

Drug Control: Anti-Drug Efforts in the Bahamas (GAO/GGD-90-42, Mar. 8, 1990) relates to TRE03.

Drug Smuggling: Capabilities for Interdicting Private Aircraft Are Limited and Costly (GAO/GGD-89-93, June 9, 1989) relates to TRE03.

Tax Administration: New Delinquent Tax Collection Methods for IRS (GAO/GGD-93-67, May 11, 1993) relates to TRE 04, TRE 15, and TRE17.

Tax Administration: Opportunities to Increase the Use of Electronic Filing (GAO/GGD-93-40, Jan. 22, 1993) relates to TRE04.

Social Security: Reconciliation Improved SSA Earnings Records, but Efforts Were Incomplete (GAO/HRD-92-81, Sept. 1, 1992) relates to TRE05.

Social Security: Alternative Wage-Reporting Processes (GAO/HRD-90-35, Nov. 8, 1989) relates to TRE05.

Asset Forfeiture Programs (GAO/HR-93-17, Dec. 1992) relates to TRE07.

Resolution Trust Corporation (GAO/HR-93-4, Dec. 1992) relates to TRE07 and TRE11.

Tax Administration: IRS' Management of Seized Assets (GAO/T-GGD-92-65, Sept. 24, 1992) relates to TRE07.

Real Property Dispositions: Flexibility Afforded Agencies to Meet Disposition Objectives Varies (GAO/GGD-92-144FS, Sept. 18, 1992) relates to TRE07.

Asset Management: Governmentwide Asset Disposition Activities (GAO/GGD-91-139FS, Sept. 27, 1991) relates to TRE07.

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/T-GGD-94-7, Oct. 5, 1993) relates to TRE08.

Drug Control: Coordination of Intelligence Activities (GAO/GGD-93-83BR, Apr. 2, 1993) relates to TRE08.

Computer Security: DEA's Handling of Sensitive Drug Enforcement and National Security Information Is Inadequate (GAO/T-IMTEC-92-24, Sept. 30, 1992) relates to TRE08.

Drug Control: Inadequate Guidance Results in Duplicate Intelligence Production Efforts (GAO/NSIAD-92-153, Apr. 14, 1992) relates to TRE08.

Tax Administration: Achieving Business and Technical Goals in Tax Systems Modernization (GAO/T-GGD-93-24, Apr. 27, 1993) relates to TRE09.

Internal Revenue Service Issues (GAO/OCG-93-24TR, Dec. 1992) relates to TRE09 and TRE15.

Tax Systems Modernization: Progress Mixed in Addressing Critical Success Factors (GAO/T-IMTEC-92-13, Apr. 2, 1992) relates to TRE09.

Tax Systems Modernization: Issues Facing IRS (GAO/T-IMTEC-91-18, July 9, 1991) relates to TRE09.

Tax Systems Modernization: Attention to Critical Issues Can Bring Success (GAO/T-IMTEC-91-8, June 25, 1991) relates to TRE09.

Customs Service: Trade Enforcement Activities Impaired by Management Problems (GAO/GGD-92-123, Sept. 24, 1992) relates to TRE10.

Financial Management: Customs Needs to Establish Adequate Accountability and Control Over Its Resources (GAO/AFMD-92-30, Aug. 25, 1992) relates to TRE10.

RTC Performance Assessment (GAO/T-GGD-93-13, Mar. 18, 1993) relates to TRE11.

Employee Background Checks (GAO/GGD-93-62R, Sept. 2, 1993) relates to TRE13.

Nuclear Security: DOE's Progress on Reducing Its Security Clearance Work Load (GAO/RCED-93-183, Aug. 12, 1993) relates to TRE13.

Personnel Security: Efforts by DOD and DOE to Eliminate Duplicate Background Investigations (GAO/RCED-93-23, May 10, 1993) relates to TRE13.

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992) relates to TRE13.

National Fine Center: Expectations High, but Development Behind Schedule (GAO/GGD-93-95, Aug. 10, 1993) relates to TRE14.

Program Fraud: Implementation of the Program Fraud Civil Remedies Act of 1986 (GAO/AFMD-91-73, Sept. 16, 1991) relates to TRE14.

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts (GAO/T-GGD-90-62, July 31, 1990) relates to TRE14.

Tax Administration: Improving Staffing of IRS' Collection Function Would Increase Productivity (GAO/GGD-93-97, May 5, 1993) relates to TRE15.

Internal Revenue Service Receivables (GAO/HR-93-13, Dec. 1992) relates to TRE15.

Tax Administration: Compliance 2000—A Worthy Idea That Needs Effective Implementation (GAO/T-GGD-92-48, June 3, 1992) relates to TRE15.

Tax Administration: Federal Agency Tax Compliance Problems Remain; Improvements Are Planned (GAO/GGD-92-29, Feb. 18, 1992) relates to TRE16.

Tax Administration: Changes Are Needed to Improve Federal Agency Tax Compliance (GAO/GGD-91-45, Apr. 16, 1991) relates to TRE16.

Financial Management: Additional Actions Needed to Improve Federal Financial Management Systems (GAO/AFMD-90-14, Apr. 27, 1990) relates to TRE18.

Alcohol Excise Taxes: Simplifying Rates Can Enhance Economic and Administrative Efficiency (GAO/GGD-90-123, Sept. 27, 1990) relates to TRE19 and TRE20.

Department of Veterans Affairs (DVA)

Overall Summary

As discussed in our December 1992 transition series report on Veterans Affairs Issues, the Department of Veterans Affairs (VA), like other government entities, will have to operate its programs and activities with increasingly constrained resources. Nevertheless, VA has numerous opportunities to operate more cost effectively, thereby saving hundreds of millions of dollars while preserving or enhancing the quality of services it provides to veterans. Taking advantage of such opportunities will be critically important if VA is to successfully compete with private sector health plans under health reform.

Overall, we agree with the thrust of NPR's recommendations for improvements in veterans' affairs programs. However, the recommendations often appear too vague and narrowly focused to achieve significant cost savings. And, while we agree with NPR's desire to decentralize decisionmaking, we believe there needs to be strong central office oversight to help ensure that problems are identified and corrected. As we stated in our transition series report, identified quality of care and service-delivery problems frequently go uncorrected because medical centers have too much autonomy. If VA is to take advantage of opportunities to improve its cost effectiveness, it must substantially improve central office efforts to ensure the timely implementation of policies to correct identified problems while allowing field facilities flexibility in designing corrective actions.

Achieving real improvements in operational efficiency and service to the public will require that VA (1) integrate the planning of its three largely autonomous components into the Department's overall strategic management; (2) develop a more forward-looking, proactive approach to human resource management; (3) integrate its information systems; and (4) strengthen financial management.

GAO Contact

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Recommendations With Which GAO Agrees

DVA01: Develop the Master Veteran Record and Modernize the Department's Information Infrastructure

Creation of a master veteran record for all VA programs and improvements in the department's information technology will improve services to veterans and their families.

GAO Comments
We strongly support this recommendation and were instrumental in getting OMB and VA to establish a formal agreement articulating specific service improvement goals in part through the use of automation. The agreement included the creation of a master veteran record.

DVA02: Modernize Benefits Claims Processing
Modernization of the VA benefits claims processing system will improve the quality of service and save taxpayer dollars over time.

GAO Comments
We fully support efforts to modernize benefits claims processing. VA, based on our recommendations, is currently analyzing its business practices as one of the initial steps in reengineering benefits claims processing.

DVA06: Enhance VA Cost Recovery Capabilities
Revise VA policy to use a portion of cost recovery funds to defray debt collection costs and expand recoveries to save money.

GAO Comments
We support actions to allow VA to use a portion of recovery funds to defray debt collection costs; such action, however, has already been taken and no further revisions are needed. NPR's recommendation does not address many other important aspects of cost recovery, such as income verification and establishing billing rates. Improvements in these functions could result in millions of dollars in additional billings and collections.

DVA10: Serve Veterans and Their Families as Customers
This recommendation outlines several approaches for VA to improve its focus on veterans and their families as customers.

GAO Comments
We strongly support actions to implement this recommendation. NPR mentions plans to outline suggested approaches, but details on those approaches are not available at this time. We have issued numerous reports detailing problems in service delivery and quality assurance both for the health and benefits programs and have recommended specific

actions to improve services, including restructuring VA's ambulatory care delivery system.

DVA12: Improve Business Practices through Electronic Commerce
VA should expand its use of electronic media to reduce paperwork and save money. It should seek to make greater use of electronic funds transfer of compensation and pension benefits.

GAO Comments
We strongly agree that electronic fund transfers can improve the accuracy of payments and cut administrative costs, even though we have not done any work looking specifically at electronic fund transfers for payment of VA compensation and pension benefits. We have long supported the use of electronic funds transfers to pay Social Security benefits and use such transfers for our own payroll.

DVA13: Eliminate "Sunset" Dates in the Omnibus Budget Reconciliation Act of 1990
To achieve cost savings, extend certain cost savings measures that are due to expire in 1998.

GAO Comments
We strongly support the elimination of "sunset" dates. Establishing sunset dates gives the illusion of additional cost savings when the measures are reauthorized. Our prior work has been instrumental in getting sunset provisions extended with respect to using VA, IRS, and SSA records to verify veterans' reported incomes for VA health care and pension benefits determinations.

Equally important, however, is prompt implementation of cost saving measures once they are enacted. As we point out in our 1992 transition series report, slow implementation of legislative initiatives cost VA an estimated $120 million in co-payment revenues from veterans who underreported their incomes to VA. Although the Omnibus Budget Reconciliation Act of 1990 extended the sunset date another 5 years, no savings will occur unless VA implements the policies for using tax records to verify veterans' reported incomes.

DVA15: Restructure the Veterans Affairs' Health Care System
VA should reexamine its role and delivery structure after the issuance of the report of the President's National Health Care Reform Task Force and take actions to restructure the VA health care system.

GAO Comments
We strongly agree that restructuring of the veterans' health care system is needed with or without national health reform. NPR's recommendation, however, lacks specificity and VA is already reexamining its role. Through a series of completed and ongoing assignments, we are assessing the reasonableness of VA's plans. As discussed in our transition series report, we believe Congress should consider limiting construction of additional VA acute care capacity until the reformed health care system takes shape and VA's role in that system is defined.

DVA16: Recover Administrative Costs of Veterans' Insurance Program from Premiums and Dividends
VA should be permitted to recover certain insurance program costs from insurance trust fund surpluses.

GAO Comments
We strongly support this position and recommended such action in a March 1992 report. VA has proposed legislation to amend title 38 of the U.S. Code to allow administrative costs for three programs to be paid from insurance trust fund earnings. Five year savings would be about $150 million and would cost the average policyholder about $11 a year in reduced dividends.

Recommendations With Which GAO Generally Agrees

DVA03: Eliminate Legislative Budget Constraints to Promote Management Effectiveness
VA is covered by a number of special legislative requirements, including employment "floors" for certain programs. Reducing or eliminating some of these controls can reduce costs and improve service without sacrificing accountability.

GAO Comments
We generally agree with the thrust of this recommendation and are currently assessing some of the legislative barriers that could hinder VA's ability to compete with private sector health plans under the President's health reform proposal. In addition, our office and OMB have, for years,

been required to certify, each time an appropriation bill or continuing resolution is enacted, that funds and personnel have been properly released to VA.

DVA04: Streamline Benefits Claims Processing
VA should examine the usefulness of a New York Regional Office approach to benefits claims processing that promises to streamline the process. It should also examine regional staffing.

GAO Comments
We agree that benefit claims processing should be streamlined and are currently examining innovative ways to reduce claims backlogs and improve timeliness. As part of that review, we will assess the effectiveness of the New York Regional Office project.

DVA08: Decentralize Decisionmaking Authority to Promote Management Effectiveness
NPR recommends that VA headquarters and field management work together to improve agency decisionmaking, including the delegation of some decisionmaking to field activity directors.

GAO Comments
We agree that decisionmaking can often be decentralized, but have repeatedly found problems in VA's efforts to implement legislative and administrative policies because too much autonomy was given to medical centers. VA currently operates a decentralized medical care system and the VA central office is reluctant to direct field facilities to take action to correct operational problems. While we agree, in theory, with delegating decisionmaking to field staff, our transition series report documents repeated problems in correcting operational problems and implementing legislative initiatives because field facilities were given too much autonomy and were not held accountable for taking corrective actions. There needs to be a balance between giving field facilities increased flexibility in designing corrective actions and implementing policies and central office oversight to ensure that those actions are adequate and consistent with overall VA policies.

DVA09: Establish a Comprehensive Resource Allocation Program
VA should design and develop a comprehensive, departmentwide,

performance and needs-based resource allocation program to replace current approaches.

GAO Comments
We agree with the need for a comprehensive resource allocation program, particularly for the health care system. We have issued several reports on problems in VA's former resource allocation method for its medical centers and on the inequities in access to VA medical benefits that result from the lack of an effective resource allocation method.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

DVA05: Consolidate Department of Defense and Department of Veterans Affairs Compensation and Retired Pay Programs
DOD and VA should create a task force to jointly examine their disability compensation adjudication and disbursement processes.

GAO Comments
It is not clear from NPR's recommendation what efficiencies would be attained by combining these two apparently disparate programs. For example, is NPR suggesting that the DOD program governing disability retirement be combined with the VA compensation program or that the broader DOD program covering all DOD retirement pay be combined with the VA compensation program.

DVA07: Establish a Working Capital Fund
This recommendation would allow creation of a working capital fund using existing resources in the department to be used for certain selected needs.

GAO Comments
We supported the establishment of VA's existing working reserve fund for the major construction program. The current NPR recommendation, however, provides insufficient information on what other working capital funds would be established or how the proposed funds would be used.

DVA11: Phase-Out and Close Supply Depots
VA should convert its existing centralized depot storage and distribution program to a commercial just-in-time delivery system and close unneeded supply depots.

GAO Comments
While we have not done any work specifically addressing this recommendation, we note that VA is already in the process of implementing the recommendation.

DVA14: Raise the Fees for Veterans Affairs' Guaranteed Home Loans
As a cost savings measure, loan fees on veterans loans should be raised above the levels set in the Omnibus Budget Reconciliation Act of 1994.

GAO Comments
We have not done work directly relevant to this recommendation but have generally supported user fees. It should be noted, however, that increasing loan fees is a policy option not a performance improvement action.

Additional Areas of GAO Concern

None.

Related GAO Products

Veterans Affairs Issues (GAO/OCG-93-21TR, Dec. 1992) relates to the overall summary, DVA06, DVA08, DVA10, DVA13, and DVA15.

Veterans Benefits: Redirected Modernization Shows Promise (draft report) relates to DVA01, DVA02, DVA10, and DVA12.

Veterans Benefits: Acquisition of Information Resources for Modernization is Premature (GAO/IMTEC-93-6, Nov. 4, 1992) relates to DVA01, DVA02, DVA10, and DVA12.

Veterans Affairs IRM: Stronger Role Needed for Chief Information Resources Officer (GAO/IMTEC-91-51BR, July 24, 1991) relates to DVA01.

VA Health Care Cost Recoveries (GAO/T-HRD-90-40, June 20, 1990) relates to DVA06.

VA Health Care: Better Procedures Needed to Maximize Collections From Health Insurers (GAO/HRD-90-64, Apr. 6, 1990) relates to DVA06.

VA Health Care: Medical Centers Need to Improve Collection of Veterans' Copayments (GAO/HRD-90-77, Mar. 28, 1990) relates to DVA06.

VA Health Care: Verifying Veterans' Reported Income Could Generate Millions in Copayment Revenues (GAO/HRD-92-141, Sept. 15, 1992) relates to DVA06 and DVA13.

VA Health Care: Copayment Exemption Procedures Should Be Improved (GAO/HRD-92-77, June 24, 1992) relates to DVA06.

VA Health Care: Offsetting Long-Term Care Costs By Adopting State Copayment Practices (GAO/HRD-92-96, Aug. 12, 1992) relates to DVA06.

Veterans Benefits: Improved Management Needed to Reduce Waiting Time for Appeal Decisions (GAO/HRD-90-62, May 25, 1990) relates to DVA08.

VA Health Care: Problems in Implementing Locality Pay for Nurses Not Fully Addressed (GAO/HRD-93-54, May 21, 1993) relates to DVA08.

VA Health Care: Medical Centers Are Not Correcting Identified Quality Assurance Problems (GAO/HRD-93-20, Dec. 30, 1992) relates to DVA08.

VA Health Care for Women: Despite Progress, Improvements Needed (GAO/HRD-92-23, Jan. 23, 1992) relates to DVA08 and DVA10.

VA Health Care: Role of the Chief of Nursing Service Should Be Elevated (GAO/HRD-92-74, Aug. 4, 1992) relates to DVA08.

VA Health Care: Efforts to Improve Pharmacies Controls Over Addictive Drugs (GAO/T-HRD-92-38, June 10, 1992) relates to DVA08.

VA Health Care: Inadequate Controls Over Addictive Drugs (GAO/HRD-91-101, June 19, 1991) relates to DVA08.

VA Health Care: Resource Allocation Methodology Has Had Little Impact on Medical Center Budgets (GAO/HRD-89-93, Aug. 18, 1989) relates to DVA09.

VA Health Care: Veterans' Efforts to Obtain Outpatient Care From Alternative Sources (GAO/HRD-93-123, July 14, 1993) relates to DVA10.

VA Health Care: Variabilities in Outpatient Care Eligibility and Rationing Decisions (GAO/HRD-93-106, July 16, 1993) relates to DVA10.

VA Health Care: Telephone Service Should Be More Accessible to Patients (GAO/HRD-91-110, July 31, 1991) relates to DVA10.

VA Health Care: VA Plans Will Delay Establishment of Hawaii Medical Center (GAO/HRD-92-41, Feb. 25, 1992) relates to DVA10 and DVA15.

VA Health Care: The Quality of Health Care Provided By Some VA Psychiatric Hospitals Is Inadequate (GAO/HRD-92-17, Apr. 22, 1992) relates to DVA10.

VA Health Care: Closure and Replacement of the Medical Center in Martinez, California (GAO/HRD-93-15, Dec. 1, 1992) relates to DVA10.

Veterans' Benefits: Availability of Benefits in American Samoa (GAO/HRD-93-16, Nov. 18, 1992) relates to DVA10.

Veterans Disability: Information From Military May Help VA Assess Claims Related to Secret Tests (GAO/NSIAD-93-89, Feb. 18, 1993) relates to DVA10.

Veterans' Affairs: Establishing Patient Smoking Areas at VA Medical Centers (GAO/HRD-93-104, May 3, 1993) relates to DVA10.

Veterans' Benefits: Millions in Savings Possible From VA's Matching Program With IRS and SSA (GAO/HRD-92-37, Dec. 23, 1991) relates to DVA13.

VA Health Care: Potential Effects of Health Care Reforms on VA's Major Construction Program (GAO/T-HRD-93-19, May 6, 1993) relates to DVA15.

Veterans' Benefits: Savings Possible From Reducing Pensions to Medicaid-Supported Nursing Home Residents (GAO/HRD-92-32, Dec. 27, 1991) relates to DVA13.

Veterans' Health Care: Potential Effects of Health Financing Reforms on Demand for VA Services (GAO/T-HRD-93-12, Mar. 31, 1993) relates to DVA15.

Veterans' Health Care: Potential Effects of Health Reforms on VA Construction (GAO/T-HRD-93-7, Mar. 3, 1993) relates to DVA15.

VA Health Care: Demonstration Project Concerning Future Structure of Veterans' Health Program (GAO/T-HRD-92-53, Aug. 11, 1992) relates to DVA15.

VA Health Care: Alternative Health Insurance Reduces Demand For VA Health Care (GAO/HRD-92-79, June 30, 1992) relates to DVA15.

VA Life Insurance: Administrative Costs for Three Programs Should Be Paid From Excess Funds (GAO/HRD-92-42, Mar. 10, 1992) relates to DVA16.

VA Health Care: Restructuring Ambulatory Care System Would Improve Services to Veterans (GAO/HRD-94-4, Oct. 15, 1993) relates to DVA10.

Veterans Affairs: Service Delays at VA Outpatient Facilities (GAO/T-HRD-94-5, Oct. 27, 1993) relates to DVA09 and DVA10.

Creating Quality Leadership and Management (QUAL)

Overall Summary

Our December 1992 transition series report on Government Management Issues discussed many of the elements essential for a successful organization that are not present in the management of federal programs. Most agencies have not created a strategic vision of their futures, most lack good systems to collect and use financial and program information to gauge operational success and accountability, and many do not have the people with the necessary skills to accomplish their missions. Agencies' lack of attention to these elements has made many programs targets for waste, inefficiency, and even scandal. The lack of focus on quality and program results has contributed to creating the perception held by Congress and the public that our federal institutions are not working well.

Overall, most of the NPR recommendations are consistent with the thrust of improvement actions we have supported. We agree that improved communication between executive branch officials, members of Congress and their staff on program management issues is needed. Further, we support the roles played by presidential councils in facilitating past management reform efforts and believe that moving the federal government in the direction of leading and managing for quality and results will require qualified senior leadership committed to making continuous quality improvements in their agencies.

GAO Contact

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Recommendations With Which GAO Agrees

QUAL04: Improve Legislative-Executive Branch Relationship
Improve communications between the executive branch, members of Congress, and congressional staff on key issues during and after program and policy development and implementation. Develop an agreed-upon approach for dealing with management failures, crises, and chronic program difficulties.

GAO Comments
We agree with the need to develop an approach for improving communications between executive branch, members of Congress, and congressional staff on program management issues. On several occasions, we have reported on how improved communication is needed in setting agency and program goals and priorities as well as in conducting oversight of agencies to ensure goals and priorities are being met. While we have not done any work evaluating specific approaches for improving

communications, we agree that any approach chosen should be based on the agreement of all relevant parties.

Recommendations With Which GAO Generally Agrees

QUAL01: Provide Improved Leadership and Management of the Executive Branch

The President should define a vision for the management of the government in the 21st century. To act on this vision, he should direct department and agency heads to designate chief operating officers and he should establish a President's Management Council, comprised of the chief operating officers, to oversee the implementation of NPR's recommendations.

GAO Comments

We have emphasized that achieving quality results in the federal government must begin with a strategic vision of the future. Further, we have endorsed the roles played by the President's Council on Management Improvement and the President's Council on Integrity and Efficiency in helping implement management reform. Without more detailed information on the responsibilities of a new council, however, it is unclear how a new council's role would differ from those of the councils already established.

QUAL02: Improve Government Performance Through Strategic and Quality Management

Encourage all department and agency heads to lead and manage in accordance with the criteria in the Presidential Award for Quality. To begin this culture change, all executive branch employees—starting with the President and Cabinet—should attend appropriate educational sessions on strategic and quality management.

GAO Comments

We fully support the need for federal managers to lead and manage for quality. A key legislative action prompting a greater focus on improving management in the federal government was the Civil Service Reform Act of 1978. This act recognized the need for performance measures and emphasized that, where feasible, organizational and individual performance be appraised in terms of timeliness, quality, and efficiency. More broadly, the Government Performance and Results Act of 1993 emphasizes strategic planning as one of the critical elements for instilling a results-oriented management focus throughout the federal government.

We believe, however, that establishing this focus will also require that federal managers have available to them the tools and incentives necessary for achieving results.

We support the use of the Presidential Award for Quality criteria to assess program performance. However, this should be revised, as necessary, to ensure it recognizes other criteria that exist on quality management, and lessons learned from using these criteria. Finally, we have found that training is one of the critical elements in perpetuating cultural change.

QUAL03: Strengthen the Corps of Senior Leaders
Develop guidance to be used to determine the qualifications needed for selected senior political appointee positions, and provide adequate orientations for individuals upon their appointment.

GAO Comments
We agree that political appointees should be qualified for their jobs and support orientation sessions for new appointees. Moreover, we have emphasized the need to establish strong financial management leadership at both OMB and the agencies, and support the Chief Financial Officers (CFO) Act requirement that OMB develop qualification standards for agency CFOs and their deputies. Agency CFO and deputy leadership positions, which must be key figures in top management teams, should be filled by highly qualified people with extensive financial management experience.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

None.

Related GAO Products

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992) relates to the overall summary.

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989) relates to QUAL01.

Management Practices: U.S. Companies Improve Performance Through Quality Efforts (GAO/NSIAD-91-190, May 2, 1991) relates to QUAL02.

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992) relates to QUAL02.

Quality Management: Survey of Federal Organizations (GAO/GGD-93-9BR, Oct. 1, 1992) relates to QUAL02.

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990) relates to QUAL02.

Report of the National Commission on the Public Service (GAO/T-GGD-89-19, Apr. 27, 1989) relates to QUAL03.

The Qualifications for and Role of Agency Chief Financial Officers (GAO/T-AFMD-91-7, June 7, 1991) relates to QUAL03.

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992) relates to QUAL03.

Financial Management Issues: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993) relates to QUAL03.

Financial Services Industry Issues (GAO/OCG-93-10TR, Dec. 1992) relates to QUAL04.

Environmental Protection Issues (GAO/OCG-93-16TR, Dec. 1992) relates to QUAL04.

Major Issues Facing a New Congress and a New Administration (GAO/T-OCG-93-1, Jan. 8, 1993) relates to QUAL04.

Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987) relates to QUAL04.

Strong Leadership Needed to Improve Management at the Department of Labor (GAO/HRD-86-12, Oct. 21, 1985) relates to QUAL04.

Streamlining Management Control (SMC)

Overall Summary

We support agencies in their pursuit to streamline controls to enable more efficient and effective operations. For example, in Financial Management: DOD Has Not Responded Effectively to Serious, Long-standing Problems and Federal Internal Control and Financial Management Systems: Major Reform Efforts Are Needed, we testified that financial management and internal control systems reform are needed. In addition, we have also recognized the need to be attuned to our congressional customers. In 1992, we surveyed key congressional staff in an effort to find ways to improve our services.

While several of NPR's recommendations do not provide sufficient detail for us to comment, we agree with NPR's underlying premise that the government must move from an exclusive reliance to holding managers accountable for process to a greater focus on accountability for results.

GAO Contact

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

Recommendations With Which GAO Agrees

SMC05: Improve the Effectiveness of the General Accounting Office Through Increased Customer Feedback
Improve GAO's documentation of best practices and the use of feedback loops on its performance.

GAO Comments
We have long recognized the importance of being attuned to our customers' needs. In 1992, we surveyed key congressional staff, representing our primary customers, in an effort to find ways to improve our services. We are also looking at ways to get feedback from agencies so we can be assured that our work is as helpful as possible to them as well. We fully recognize that, like everyone else, we need to continuously seek ways to better serve our customers if we are to improve our effectiveness.

In our reports, it has always been our policy to recognize noteworthy management accomplishments identified during our work. Government Auditing Standards note that such information is necessary to fairly present, and provide balance to, the issues covered. Including such information could stimulate improved performance by other government organizations that read the report. For example, we are studying the best practices of a range of private sector firms that were very successful in integrating modern computer technology into their operations. Overall, we

are increasingly seeking opportunities to report on the best practices that we identify as part our work.

Recommendations With Which GAO Generally Agrees

SMC02: Streamline the Internal Controls Program to Make It an Efficient and Effective Management Tool
Rescind the current set of Internal Control Guidelines and replace them with a broader handbook on management controls.

GAO Comments
Clearly, changes are needed in the government's internal control program. Agencies must fix the long-standing control weaknesses that limit the efficiency and effectiveness of their programs and undermine public confidence in government. Almost a decade after the Federal Managers' Financial Integrity Act became law, we see the same kinds of internal control problems emerging in our current audits. Moreover, our audits of the Air Force, Army, NASA, Internal Revenue Service, and the Customs Service have identified a lack of adequate reporting of those problems as required by FMFIA. GAO's High-Risk reports and OMB's recent targeted efforts show that serious problems, when they are properly identified, are deep-rooted and require major efforts to correct.

A broader handbook on management controls is part of the solution. But, in addition, ways must be found to shift the focus of efforts to identify root causes of the serious problems and to actually correct those problems rather than only carrying out processes. Senior manages must be held accountable for fixing the internal control problems that have been properly and fully indentified. A start should be made on those that pose the highest risk. Of course, in designing control systems, a cost-benefit analysis is required and agencies' operations must not be impeded.

SMC03: Change the Focus of the Inspectors General
Change the focus of Inspectors General from compliance auditing to evaluating management control systems. In addition, recast the IGs method of operation to be more collaborative and less adversarial.

GAO Comments
We support Inspectors General broadening their role to evaluate management control systems and, when circumstances warrant it, to be more collaborative and less adversarial. The key is to appoint Inspectors General with the competence and interest in taking on this broader role. In

that regard, financial audits under the CFO Act, for which Inspectors General now have responsibility, provide much of the needed incentive and opportunity. We would caution, however, that Inspectors General not lose sight of their independence and other legislative responsibilities to conduct audits and investigations.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

SMC01: Implement a Systems Design Approach to Management Control
Redesign the existing collection of management control mechanisms for the executive branch, using a systems design approach, in order to create a well managed and cost-effective system.

GAO Comments
We fully support agency and governmentwide efforts to strengthen internal control systems. For example, systems should be cost effective and managers should manage for risks. However, without more detailed information, it is not possible to comment on the specifics of this recommendation.

SMC04: Increase the Effectiveness of Offices of General Counsel
Define clearly the clients of agency General Counsel offices as agency line managers. Train staff attorneys to understand the cultural changes they will need to undertake to operate in an environment where program results are important. Develop performance measures and "feedback loops" to ensure close cooperation with line managers.

GAO Comments
We agree that agency General Counsel offices should understand their program environment using any applicable management tools necessary. However, we have not performed any work in this area.

SMC06: Reduce the Burden of Congressionally Mandated Reports
Eliminate at least 50 percent of all congressionally mandated reports.

Review new reporting requirements for management impact, and include a sunset provision.

GAO Comments
We fully support congressional efforts to streamline reporting requirements. We have issued at least 15 products on this topic dating back to 1973. Based on this work, we believe there are opportunities to streamline reporting requirements and decrease duplication. For example, there are opportunities for combining FMFIA and CFO reporting requirements. However, we do not know the overall percentage of reports that should be eliminated. We believe that any effort to streamline reporting requirements should be done as part of a focused strategy that considers Congress' information needs and how those needs can best be met.

SMC07: Reduce Internal Regulations By More Than 50 Percent
Direct department secretaries and agency heads to reduce by at least 50 percent the number of internal regulations, and the number of pages of regulations, within 3 years.

GAO Comments
We agree that agencies should pursue initiatives to eliminate and consolidate unnecessary or duplicative internal regulations. However, we have not examined the potential regulations that could be eliminated governmentwide nor do we have a basis for identifying a percentage of internal regulations that should be eliminated.

SMC08: Expand the Use of Waivers to Encourage Innovation
Establish a process for obtaining waivers from federal regulations and identifying those regulations for which this process should apply.

GAO Comments
We cannot comment on the specifics of this recommendation because we have not done work on this issue. However, the Government Performance and Results Act of 1993 (GPRA) established a framework for holding agencies accountable for results while granting managers the tools and incentives to achieve desired outcomes. GPRA authorizes a series of pilot agencies in performance measurement and waivers from certain administrative requirements. More important, we believe, will be the degree to which agencies use the strategic planning and performance

measuring processes required by GPRA to identify opportunities they can take to streamline and deregulate their internal operations.

Additional Areas of GAO Concern

None.

Related GAO Products

Financial Management: DOD Has Not Responded Effectively to Serious, Long-standing Problems (GAO/T-AIMD-93-1, July 1, 1993) relates to the overall summary and SMC01.

Federal Internal Control and Financial Management Systems: Major Reform Efforts Are Needed (GAO/T-AFMD-90-14, Apr. 18, 1990) relates to the overall summary and SMC01.

Government Management: Report on 17 High-Risk Areas (GAO/T-OCG-93-2, Jan. 8, 1993) relates to SMC01.

Financial Integrity Act: Inadequate Controls Result in Ineffective Federal Programs and Billions in Losses (GAO/AFMD-90-10, Nov. 28, 1989) relates to SMC01.

Ten-Year Perspective on Federal Inspectors General (GAO/T-AFMD-88-16, Aug. 4, 1988) relates to SMC03.

Inspectors General: Legislative Action Needed to Strengthen OIGs at Designated Federal Entities (draft report) relates to SMC03.

Continuous Improvement: The Quality Challenge (GAO/QMG-93-1, Mar. 1993) relates to SMC05.

Continuous Improvement: The Quality Challenge (GAO/QMG-92-1, Nov. 1991) relates to SMC05.

Congressional Reports: OMB and Other Agency Reporting Requirements (GAO/GGD-92-90FS, Aug. 31, 1992) relates to SMC06.

Transforming Organizational Structures (ORG)

Overall Summary

The topic of organizational structure is one which merits critical review at every level of government. In this regard, our work generally has focused on the effects of structure within specific issues or agencies. For example, in many of our transition series reports and various general management reviews, we have uncovered particular problems in federal management and traced their causes to organizational structures. NPR's six recommendations in this section concern either government as a whole or principles of organization that should be applied similarly across agencies. Our work has generally not addressed issues of governmentwide organizational structure. Moreover, some of the recommendations lack sufficient detail to allow a meaningful evaluation.

GAO Contact

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

Recommendations With Which GAO Agrees

None.

Recommendations With Which GAO Generally Agrees

ORG02: Use Multi-Year Performance Agreements between the President and Agency Heads to Guide Downsizing Strategies
Performance agreements with agency heads (see NPR recommendation BTG01) should be used to identify progress toward agreed-upon downsizing goals—not central management agency controls such as across the board cuts or ceilings on employment. In exchange, agencies will be supported with increased management flexibilities.

GAO Comments
We generally agree with the implicit intent of this recommendation to ensure that downsizing is carried out with regard for the management context and particular necessities of individual agencies. However, it is not clear what benefit is intended by the use of proposed multiyear performance agreements to accomplish this or what form these proposed agreements might take. Other mechanisms could be used to tailor downsizing efforts to individual agency needs, such as agency strategic plans or cross-departmental reorganizations.

ORG03: Establish a List of Specific Field Offices to be Closed
Within 18 months, the President's Management Council should submit a list to Congress of civilian field offices that should be closed.

GAO Comments
We generally support a review of civilian agencies' field offices to determine which offices might be closed or consolidated with other offices to achieve economy and efficiency. However, it is not clear what criteria and process will be used to develop this list, what benefit is intended by creating a consolidated list, or what process is being suggested to carry out closures once the list is produced.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

ORG01: Reduce the Costs and Numbers of Positions Associated with Management Control Structures by Half
Cut management control positions over the next 5 years. Reinvest some of the savings in benchmarking, training, and investments in new technology. In addition to separation incentives (see HRM14), provide outplacement services to affected staff.

GAO Comments
It is not clear what NPR means by "management control structures" and there is no explanation of the rationale for reduction and its intended effect. While we are not opposed to reductions in management control positions, we recognize that management control systems were put in place to create particular, desired effects. If these systems are to be eliminated or reduced, NPR should first demonstrate that (1) other mechanisms will take their place, (2) the particular effect is no longer needed or relevant in the current environment, or (3) the current system is not serving a useful purpose.

ORG04: The President Should Request Authority to Reorganize Agencies
Congress should restore to the President the authority to restructure the executive branch.

GAO Comments
There are a number of different ways in which the authority to restructure could be granted to the President. In the past, Congress has usually had a significant role in the review and approval of executive branch reorganization proposals, even within the context of the type of Presidential authority suggested here. We can offer more detailed commentary when a definition of these reorganization powers and a proposed reorganization plan are made available.

ORG05: Sponsor Three or More Cross-Department Initiatives Addressing Common Issues or Customers
The President's Management Council should identify and sponsor three or more cross-departmental initiatives in areas such as illegal immigration, debt collection, and the problems of the homeless.

GAO Comments
It is unclear what is meant by "cross-departmental initiatives" and how these would differ from the cross-departmental coordination mechanisms that currently exist in many areas of government.

ORG06: Identify and Change Legislative Barriers to Cross-Organizational Cooperation
As cross-organizational collaborations become an integral part of government operations, barriers to ready collaboration and funding should be removed.

GAO Comments
Specific barriers need to be identified so that their intended purposes and impacts can be weighed against their imputed negative consequences.

Additional Areas of GAO Concern

None.

Related GAO Products

Social Security Downsizing: Significant Savings But Some Service Quality and Operational Problems (GAO/HRD-91-63, Mar. 19, 1991) relates to ORG01.

U.S. Department of Agriculture: Overhauling the Farm Agencies' Field Structure (GAO/T-RCED-92-87, July 30, 1992) relates to ORG03.

Department of Agriculture: Restructuring Will Impact Farm Service Agencies' Automation Plans and Programs (GAO/T-IMTEC-92-22, July 30, 1992) relates to ORG03.

Other products relate to NPR's organizational structure recommendations at a broad level:

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992).

Program Evaluation Issues (GAO/OCG-93-6TR, Dec. 1992).

The Public Service (GAO/OCG-93-7TR, Dec. 1992).

Commerce Issues (GAO/OCG-93-12TR, Dec. 1992).

Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993).

Creation of a Department of the Environment (GAO/T-RCED-93-6, Feb. 18, 1993).

One-Stop Shops (GAO/GGD-93-1R, Nov. 6, 1992).

Customs Service: Trade Enforcement Activities Impaired by Management Problems (GAO/GGD-92-123, Sept. 24, 1992).

Soil Conservation Service Reorganization (GAO/RCED-92-254R, Aug. 7, 1992).

Administration on Aging: Operations Have Been Strengthened But Weaknesses Remain (GAO/PEMD-92-27, June 11, 1992).

Defense Reorganization: DOD Establishment and Management of Defense Agencies (GAO/NSIAD-92-210BR, May 27, 1992).

Export Promotion: Overall U.S. Strategy Needed (GAO/T-GGD-92-40, May 20, 1992).

Foreign Assistance: Management Problems Persist at the Agency for International Development (GAO/T-NSIAD-92-31, May 1, 1992).

U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies (GAO/RCED-91-168, Sept. 3, 1991).

Improving Customer Services (ICS)

Overall Summary

We recommended in Improving Government: Need to Reexamine Organization and Performance that a governmentwide focus on the citizen's needs should be a part of the government's reorganization and management. Specifically, we have recommended that agencies that deal directly with the public, such as the Postal Service, track customer satisfaction especially if there is competition from the private sector.

Overall, most of NPR's recommendations are consistent with the thrust of improvement actions we have supported in the past. We agree that there is a need for improved customer service in the federal government and that a customer focus should be an essential component in the way government works.

GAO Contact

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 412-8676.

Recommendations With Which GAO Agrees

ICS01: Create Customer-Driven Programs in all Departments and Agencies that Provide Services Directly to the Public
Establish an overall policy for quality of federal services delivered to the public and initiate customer service programs in all agencies that provide services directly to the public.

GAO Comments
We strongly advocate the creation of such a policy, which could foster good public relations and timely service to citizens. We have recommended that a governmentwide focus on citizen's needs be the foundation for the government's management and reorganization. Further, we have supported a customer-oriented approach in individual federal agencies. Also, we have suggested incorporating the needs of the American public in developing information technology strategies.

It should be noted that many government services are provided to the public through third parties, such as housing administrations or medical insurance providers. Our ongoing work suggests that it may be appropriate to include requirements for ensuring or measuring customer service in the contracts or agreements with such third parties. A pertinent consideration in this regard is whether additional government funds would be needed if this were done.

ICS03: Customer Service Performance Standards—Social Security Administration
As part of its participation in NPR, the Social Security Administration is publishing customer service performance standards. SSA will also obtain customer opinions on all the goals and objectives of their strategic plan, using that input to revise the goals and objectives as needed, set priorities, and establish interim objectives.

GAO Comments
We endorse SSA's efforts to improve its customer service performance. We have recently completed audit work suggesting that SSA put forth sustained effort to improve management and future plans.

Recommendations With Which GAO Generally Agrees

ICS04: Customer Service Performance Standards—Postal Service
As part of its participation in NPR, the U.S. Postal Service will expand its plans to display customer service standards in Post Office retail lobbies.

GAO Comments
We fully support the Postal Service's current initiative to develop standards to govern the provision of customer services and agree that those standards should be fully disclosed to the public.

ICS05: Streamline Ways to Collect Customer Satisfaction and Other Information from the Public
For voluntary information collection requests directed at customers, OMB will delegate authority to approve such requests if departments certify that they will fully comply with Paperwork Reduction Act requirements. OMB will also clarify rules on the use of focus groups and streamline renewals of previously approved survey requests.

GAO Comments
We agree with the thrust of this recommendation to streamline the collection of customer satisfaction information. However, there is some ambiguity on what constitutes voluntary information collection requests.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

ICS02: Customer Service Performance Standards—Internal Revenue Service
As part of its participation in NPR, the Internal Revenue Service is publishing customer service performance standards. To speed the delivery of taxpayer refunds, the Secretary of the Treasury should delegate disbursing authority to IRS in 1993 and future tax seasons.

GAO Comments
While we agree with the intent of getting refunds to taxpayers in a timely manner, we are unsure whether delegation of disbursing authority to IRS is an appropriate means to that end. We would have to know more about the costs and implications of such a change.

Additional Areas of GAO Concern

As we said in the Department of the Treasury section of this report, taxpayers are having problems reaching IRS by telephone to ask questions. Nothing in NPR's recommendations is directed at correcting this poor customer service.

Related GAO Products

Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993) relates to the overall summary and ICS01.

Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, Feb. 1990) relates to ICS01.

U.S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment (GAO/GGD-93-4, Nov. 12, 1992) relates to ICS01.

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990) relates to ICS01.

Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (GAO/HRD-94-22, Oct. 27, 1993) relates to ICS03.

Social Security: Need to Improve Postentitlement Service to the Public (GAO/HRD-93-21, May 7, 1993) relates to ICS03.

Social Security: Telephone Busy Signal Rates at Local SSA Field Offices (GAO/HRD-93-49, Mar. 4, 1993) relates to ICS03.

Social Security: Measure of Telephone Service Accuracy Can Be Improved (GAO/HRD-91-69, Aug. 30, 1991) relates to ICS03.

Social Security Downsizing: Significant Savings But Some Service Quality and Operational Problems (GAO/HRD-91-63, Mar. 19, 1991) relates to ICS03.

Social Security: Little Overall Change in Telephone Accessibility Between 1985 and 1988 (GAO/HRD-88-129, Sept. 15, 1988) relates to ICS03.

Social Security: Staff Reductions and Service Quality (GAO/HRD-88-97, May 13, 1988) relates to ICS03.

Paperwork Reduction: Mixed Results on Agency Decision Processes and Data Availability (GAO/PEMD 89-20, Sept. 7, 1989) relates to ICS05.

Mission-Driven, Results-Oriented Budgeting (BGT)

Overall Summary

As addressed in our June 1992 report, Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy and our 1992 transition series reports on the budget deficit and investment, changes are necessary in our fiscal policy and in the composition of the federal budget. Reducing the federal deficit is central to our future economic and social well-being as a nation, but doing so requires difficult choices.

In overall thrust, many of NPR's recommendations on mission-driven results-oriented budgeting seek to assist the process of making these choices by increasing the focus on program outcomes. Some seek to change the nature—and perhaps the balance—of congressional-executive budgetary relations.

GAO Contact

Susan J. Irving, Associate Director, Budget Issues, Accounting and Information Management Division, (202) 512-9142.

Recommendations With Which GAO Agrees

BGT01: Develop Performance Agreements with Senior Political Leadership That Reflect Organizational and Policy Goals
The President should develop performance agreements with agency heads, starting with the top two dozen. Agency heads should also use performance agreements within their agency to forge an effective team committed to achieving organizational goals and objectives.

GAO Comments
Developing such agreements can help focus efforts on key priorities in each agency and help achieve the results-oriented environment that we believe is needed to improve effective delivery of government programs. It remains unclear however on how these agreements would operate or what Congress' role would be.

BGT02: Effectively Implement the Government Performance and Results Act of 1993
Accelerate planning and measurement efforts to improve performance in every federal program and agency. Designate as pilots under the act several multiagency efforts that have related programs and functions. Develop common measures and data collection efforts for cross-cutting issues. Clarify the goals and objectives of federal programs. Incorporate performance objectives and results as key elements in budget and management reviews.

GAO Comments

We endorse the importance of agencies and Congress reaching agreement on agency mission and realistic, outcome-oriented goals, developing measures of performance in terms of those goals, and publicly reporting results. We believe that this management framework—which is set forth in the Government Performance and Results Act of 1993—could serve as the foundation for a broad range of efforts to improve federal management. Providing managers with the tools and incentives they need to achieve their missions will be critical if outcome-oriented management is to increase the effectiveness of federal programs. However, coming to agreement on outcome-oriented goals and objectives and indicators of performance will be difficult and take time. We strongly endorse the need for agencies to begin now preparing for implementation of GPRA by defining mission statements, developing strategic plans, and identifying and developing performance measures. The success of GPRA will depend in part, however, on achieving the goals of the CFO legislation for generating reliable financial information and accurate operating cost data.

We also endorse designating as pilots several multiagency efforts with related programs and functions, and development of common measures and data collection efforts for crosscutting issues. In this way, various implementation strategies can be explored and lessons can be learned about best practices in forging critical crosscutting linkages across the federal government and with state and local governments as well.

Recommendations With Which GAO Generally Agrees

None.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

BGT03: Empower Managers to Perform

Restructure appropriations accounts to reduce overitemization and to align them with programs. Ensure that direct operating costs can be identified. Reduce overly detailed restrictions and earmarks in appropriations and report language. Simplify the apportionment process. Reduce the excessive administrative subdivision of funds in financial operating plans.

GAO Comments

The degree of "overitemization" is a matter of interpretation and political judgment, potentially affecting the balance of power between the legislative and executive branches. Changing the account structure is not simply a matter of management flexibility. An examination of the structure and number of appropriation accounts, however, could provide useful information for consideration of changes in the current structure and how such changes would affect oversight. It also will be necessary—although conceptually very difficult—to identify direct operating costs if the focus of government management is to be on cost-effective performance. Harmonizing this approach with existing program definitions and budgetary account structures will present difficult problems, which the administration and Congress will need to resolve.

BGT04: Eliminate Employment Ceilings and Floors By Managing Within Budget

Budget and manage on the basis of operating costs rather than full-time equivalents or employment ceilings. Request Congress to remove FTE floors.

GAO Comments

This recommendation seeks to change the nature—and perhaps the extent—of legislative oversight. Pending development of alternatives, employment ceilings and floors are both means by which Congress expresses its intentions on priorities. Ceilings seek to affect total personnel resources whereas floors are directed at the allocation of those resources. As NPR recognizes, implementation of this proposal is currently not possible both because there are conceptual and practical difficulties involved in defining operating costs and because FTEs will be necessary to the administration to monitor progress on its initiatives to reduce the size of the federal workforce. However, in his supplemental appropriation package for fiscal year 1994, the President proposed legislative language removing employee FTE floors established for several

agencies. Experimentation with using operating costs to manage has just begun and the Financial Accounting Standards Advisory Board has yet to propose standards for cost accounting.

BGT05: Provide Line Managers with Greater Flexibility to Achieve Results

Identify those appropriations that should be converted to multi- or no-year status. Permit agencies to roll over 50 percent of their unobligated year-end balances in annual operating costs to the next year. Expedite reprogramming of funds within agencies.

GAO Comments

Multiyear availability of funds, where appropriate, makes sense. The impact of various proposed changes in the treatment of unobligated funds should be explored.

BGT06: Streamline Budget Development

Begin the President's budget formulation process with a mission-driven Executive Budget Resolution process that will replace hierarchial budget development, delegate more decision making to agency heads, and promote a collaborative approach to crosscutting issues. In the process, eliminate multiple requirements for detailed budget justification materials. Negotiate a reduction in the detailed budget justification provided to Congress.

GAO Comments

This recommendation addresses the way the President develops his budget. To the extent that agency budget preparation is seen to be duplicative, provision of targets to each agency at the beginning of the process may help.

BGT07: Institute Biennial Budgets and Appropriations

Submit a legislative proposal to move from an annual to a biennial budget submission by the President. Establish biennial budget resolution and biennial appropriation processes. Evaluate program effectiveness and refine performance measures in the off-year.

GAO Comments

We have supported multiyear fiscal policy agreements and biennial budget

resolutions to implement these agreements. We have supported multiyear authorizations and multiyear funds where it makes sense. We have noted that a shift to a biennial appropriations process is not necessary to provide multiyear funds to those programs where Congress deems it appropriate, and that Congress routinely provides such multiyear monies. A shift from an annual to a biennial appropriations cycle would be a change in the nature—and perhaps in the degree—of congressional oversight.

BGT08: Seek Enactment of Expedited Rescission Procedures
Pursue negotiations with the leadership of the House and Senate to gain enactment of expedited rescission authority.

GAO Comments
In two recent testimonies we concluded that current rescission procedures were working as originally intended by Congress. Rescissions can only have a relatively small influence on budgetary totals and deficits of today's magnitude. Therefore, in our testimonies we concluded that any change in the current rescission procedure should be viewed as a question of the relative balance of power between the President and Congress.

Additional Areas of GAO Concern

The current budget structure with its emphasis on short-term goals does not support long-term decisionmaking. A federal investment budget component within a unified budget framework could provide decisionmakers with better information on spending for short-term consumption versus investment for future economic growth.

Related GAO Products

Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy (GAO/OCG-92-2, June 5, 1992) relates to the overall summary.

Federal Budget: Choosing Public Investment Programs (GAO/AIMD-93-25, July 23, 1993) relates to the overall summary.

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992) relates to BGT01.

Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993) relates to BGT02.

Improving Government: Measuring Performance and Acting on Proposals for Change (GAO/T-GGD-93-14, Mar. 23, 1993) relates to BGT02.

Budget Issues: Financial Reporting to Better Support Decision-making (GAO/AFMD-93-22, June 1993) relates to BGT02 and BGT03.

Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993) relates to BGT02.

Tax Policy: Tax Expenditures Deserve More Scrutiny (draft report) relates to BGT02.

Budget Issues: Assessing Executive Order 12837 on Reducing Administrative Expenses (GAO/AIMD-94-15, Nov. 17, 1993) relates to BGT03.

Budget Policy: Biennial Budgeting for the Federal Government (GAO/T-AIMD-94-4, Oct. 7, 1993) relates to BGT07.

Budget Process: Use and Impact of Rescission Procedures (GAO/T-OCG-93-5, Mar. 10, 1993) relates to BGT08.

Budget Process: Use and Impact of Rescission Procedures (GAO/T-OCG-92-5, Sept. 25, 1992) relates to BGT08.

Budget Policy: Federal Capital Budgeting (GAO/T-AFMD-93-7, May 26, 1993) relates to additional areas of GAO concern.

Budget Issues: Incorporating an Investment Component in the Federal Government (GAO/AIMD-94-40, Nov. 9, 1993) relates to additional areas of GAO concern.

Budget Policy: Investment Budgeting for the Federal Government (GAO/T-AIMD-94-54, Nov. 9, 1993) relates to additional areas of GAO concern.

Improving Financial Management (FM)

Overall Summary

As discussed in our December 1992 transition series report on Financial Management Issues, widespread financial management weaknesses are crippling the ability of our leaders to effectively run the federal government. Reducing the federal deficit requires monumentally difficult decisions. If our government is to make these decisions in an informed manner, it must have better financial information. Also, our citizens should be provided meaningful information that allows them to judge the performance of their government and controls that help guarantee fundamental accountability.

Our financial audits have shown that agencies have major financial systems deficiencies, significant internal control weaknesses, and unreliable financial information. Because of these problems, public confidence in the federal government as a financial steward has been severely undermined. Overall, NPR's financial management improvement recommendations are in line with the thrust of the financial systems and information improvement actions our reports and testimonies have outlined, and if properly implemented, could result in strengthened government accountability. Financial management reform, however, will also require other actions, such as the expansion to all major departments and agencies of the Chief Financial Officers Act's requirement for audited financial statements. This expansion is also a prerequisite for providing reliable and clear reports to the public on the government's financial condition and use of tax dollars.

GAO Contact

Jeffrey C. Steinhoff, Director, Civil Audits, Accounting and Information Management Division, (202) 512-9454.

Recommendations With Which GAO Agrees

FM05: Use the Chief Financial Officers (CFO) Act to Improve Financial Services

Identify the set of financial management functions which should report to agency CFOs, and ensure that all financial management personnel are fully-qualified when hired. Ensure that information being collected, disseminated, and reported on is useful, objective, timely, and accurate for the benefit of program managers.

GAO Comments

We strongly advocate these types of actions, which are critically needed to strengthen financial management leadership, attract and retain qualified financial management personnel, and develop useful and relevant financial reports that emphasize accountability and operating performance.

Recommendations With Which GAO Generally Agrees

FM01: Accelerate the Issuance of Federal Accounting Standards
Issue a comprehensive set of federal financial accounting standards within 18 months. If all standards are not issued under the present advisory board structure, create an independent federal financial accounting standards board.

GAO Comments
We fully support the accelerated issuance of federal agency accounting standards. We would not, at this time, though, endorse the creation of an independent standards setting board.

FM02: Clarify and Strengthen the Financial Management Roles of OMB and Treasury
Develop a Memorandum of Understanding to clarify the roles of OMB and Treasury in financial management. Create a governmentwide budget and financial information steering group to develop and provide guidance in implementing an integrated budget and financial information strategic plan. Shift review of the Financial Management Service's budget to the OMB Deputy Director for Management.

GAO Comments
OMB's and Treasury's roles are pivotal to federal financial management reform; thus, it is essential that their responsibilities be clearly delineated and they be provided commensurate resources. Also, we fully support the use of steering groups, such as the CFO Council and the Joint Financial Management Improvement Program, to improve financial management governmentwide. We have not, though, specifically addressed the issue of shifting the review of Treasury's Financial Management Service's budget to OMB's Deputy Director for Management.

FM03: Fully Integrate Budget, Financial and Program Information
Ensure that agency financial systems are in compliance with a revised OMB Circular A-127, "Financial Management Systems," by September 1996. Provide interagency funding for the joint development of financial systems.

GAO Comments
We strongly endorse the concept of fully integrating budget, financial, and program information and urge that agency financial systems be in compliance with OMB Circular A-127. While we have not specifically

recommended that agencies jointly develop financial systems through interagency funding, we support the concept and have also suggested the possibility of agencies having standard systems and expanding the use of cross-servicing arrangements.

FM04: Increase the Use of Technology to Streamline Financial Services

Use electronic funds transfer to pay and reimburse expenses for all federal employees, to handle all interagency payments, to make payments to state and local governments, and to pay for purchases from the private sector. Similarly, all payments to individuals should be done electronically.

GAO Comments

We strongly agree that substantial benefits are to be gained through the increased use of technology in financial operations, including greater use of electronic funds transfers, and fully support the increased use of technology. We have not studied the feasibility of using electronic funds transfers for each of the types of payments NPR cited, but note that electronic funds transfers are presently used for some of these payments and agree with the thrust of NPR's proposal. Also, Treasury has been working on the exchange of technological improvement techniques between agencies, which we support.

FM06: "Franchise" Internal Services

The President's Management Council should encourage agencies to purchase common administrative services, such as payroll, computer support, or procurement, competitively from other federal agencies that may be more responsive or offer better prices.

GAO Comments

We strongly advocate that agencies use standard systems and cross-servicing arrangements for payroll and other financial management operations and services. We have not, however, taken a position with respect to computer support and procurement. (See discussion for NPR recommendations in the Department of Defense, Procurement, and Information Technology sections of this report.)

FM09: Simplify the Financial Reporting Process

Grant OMB the flexibility to consolidate and simplify over a dozen related

statutory reports to Congress and the President. Require agency heads to provide two reports annually, a planning report and an accountability report. Ensure that any future financial management reporting requirements can be addressed in either the planning or accountability reports.

GAO Comments

We strongly support financial planning and accountability reporting as the cornerstone of improved federal financial reporting. We also fully support efforts to consolidate and streamline reporting, where needed, with the goal of more useful and meaningful reporting. However, the potential impact of this recommendation on specific reports to Congress and the President which agencies are required by law to prepare cannot be determined from the information provided. Accordingly, it would be essential that any changes be fully coordinated with and agreed to by cognizant congressional committees.

FM10: Provide an Annual Financial Report to the Public

Provide a simplified version of a consolidated report on the finances of the federal government for distribution to the taxpayers by June 1995. Develop a method of identifying and budgeting for the expected costs of contingent liabilities of the Federal Government.

GAO Comments

We strongly believe that the public is entitled to be provided financial reports annually on the government's stewardship of taxpayer monies and that such financial statement information be subjected to audit. Also, we have generally advocated the inclusion in the budget of the expected costs of contingent liabilities, such as is done for credit programs under the Credit Reform Act. The nature of the specific contingent liabilities to which NPR refers, though, is unclear.

FM11: Strengthen Debt Collection Program

Propose legislation to allow debt collection activities to be funded by the revenues generated from collections and to allow the agencies to keep a certain percentage of any increased collection amounts. Propose legislation to lift restrictions on the use of private collection, and expand agency litigation authority for debt collection through the designation of special assistant U.S. Attorneys.

GAO Comments

While we have not examined all aspects of the impact these recommendations may have on individual agencies' operations, our work has shown the need for stronger governmentwide credit management and debt collection programs. We have specifically reported on the need for legislation to lift restrictions on the use of private collection agencies by the Customs Service. Also, we have proposed that agencies keep a portion of any increased collections to improve debt collection systems and practices. Further, we have supported the increased use of private-sector attorneys to assist in collecting delinquent debt, which relates to the NPR recommendation involving expanded use of U.S. Attorneys.

FM12: Manage Fixed Asset Investments for the Long Term

Establish a long-term fixed asset planning and analysis process, and incorporate it into the federal budget process. Ensure there is no bias in the budget against long-term investments.

GAO Comments

We support a neutral treatment of long-term investments in the budget consistent with budget scorekeeping principles that are meant to reflect the actual commitments made by the federal government.

FM13: Charge Agencies for the Full Cost of Employee Benefits

Require all agencies to pay the full accruing cost of Civil Service Retirement and Pensions. OMB and the Office of Personnel Management should also research the possibility of charging agencies for civilian retiree health benefits.

GAO Comments

We have reported that budget reporting of the cost of most civilian personnel programs can be improved by including data on liabilities incurred, rather than cash, in the budget. While we have not addressed all facets of charging agencies for civilian retiree health benefits, we have reported on payments for retiree health benefits that the Postal Service is required to make to the Civil Service Fund. Also, the accounting standards prescribed for use by the private sector require employers to recognize the cost of retiree health benefits when liable for making such payments.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

FM07: Create Innovation Funds
Allow agencies to create innovation capital funds from retained savings to invest in innovations that can improve service and provide a return on investment.

GAO Comments
Allowing agencies to create innovation capital funds from retained savings to invest in innovations could have merit and, for the financial management services area, could offer opportunities for advancements, as we have suggested. We believe it should be seriously explored but sufficient information is not yet available from NPR for us to assess specific approaches.

FM08: Reduce Financial Regulations and Requirements
Eliminate timesheets and timecards and use technology to enter payroll data only on an exception basis. Allow use of commercial checking accounts instead of third-party accounts. Create a threshold below which it is not cost effective to resolve audit findings.

GAO Comments
While we have not studied the elimination of time and attendance records, title 6 of our Policy and Procedures Manual for Guidance of Federal Agencies allows employees' time to be recorded on an exception basis, which is consistent with NPR's recommendation.

Additional Areas of GAO Concern

The NPR report makes recommendations that are consistent with many of the financial management improvement measures we support. We believe additional actions are also essential to successfully implementing needed reform. These actions are outlined in our December 1992 report Financial Management Issues. In summary, these actions call for

- the President to (1) make financial management reform a high priority, (2) hold agency heads accountable for successfully implementing the CFO Act, (3) sustain a high level of financial management leadership in OMB,

and (4) appoint to the agencies' CFO positions only highly qualified individuals;

- the OMB Director to promote and closely monitor agencies' (1) adherence to existing accounting policies and procedures, (2) efforts to build financial management infrastructures, (3) actions to correct long-standing internal control weaknesses and high-risk problems, and (4) projects to integrate accounting, program, and budget systems and data; and
- Congress to (1) focus closely on CFO appointments to ensure the qualifications of these individuals, (2) conduct annual oversight hearings using the CFOs' annual reports and audited financial statements, and (3) provide the necessary funding support for financial reform efforts.

Also, we strongly support amending the CFO Act to require audited financial statements on an annual basis for all major agencies and for the government overall. The Administration's proposed Government Reform and Savings Act of 1993, which is based on elements of the NPR report, would require that 23 key federal agencies prepare annual audited financial statements. These audited statements are essential to achieving full accountability and will make it easier to achieve NPR's stated goal of providing an accurate and clear report to the public on the government's finanical condition.

Related GAO Products

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992) relates to the overall summary, FM01, FM03, FM05, FM06, and FM09.

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993) relates to FM01, FM03, FM05, FM06, FM09, and FM10.

Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls (GAO/AFMD-92-82, Aug. 7, 1992) relates to FM01, FM03, FM05, FM06, FM09, and FM10.

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources (GAO/AFMD-90-23, Feb. 23, 1990) relates to FM01, FM03, FM05, FM09, FM10, and FM12.

Financial Management: Additional Actions Needed to Improve Federal Financial Management Systems (GAO/AFMD-90-14, Apr. 27, 1990) relates to FM02.

Budget Issues: Financial Reporting to Better Support Decision-making (GAO/AFMD-93-22, June 1993) relates to FM03 and FM05.

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991 (GAO/AIMD-93-1, June 30, 1993) relates to FM03, FM05, FM09, FM10, and FM11.

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act (GAO/AFMD-92-12, Feb. 19, 1992) relates to FM03, FM05, FM09, FM10, and FM12.

Government Management: Major Issues Facing the Congress (GAO/T-AFMD-92-4, Feb. 6, 1992) relates to FM03, FM05, and FM06.

The Qualifications for and Role of Agency Chief Financial Officers (GAO/T-AFMD-91-7, June 7, 1991) relates to FM05.

Managing the Cost of Government: Proposals for Reforming Federal Budgeting Practices (GAO/AFMD-90-1, Oct. 1989) relates to FM10 and FM13.

Financial Management: Customs Needs to Establish Adequate Accountability and Control Over Its Resources (GAO/AFMD-92-30, Aug. 25, 1992) relates to FM11.

Credit Management: Deteriorating Credit Picture Emphasizes Importance of OMB's Nine-Point Program (GAO/AFMD-90-12, Apr. 16, 1990) relates to FM11.

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved (GAO/AFMD-86-39, May 23, 1986) relates to FM11.

Federal Budget: Choosing Public Investment Programs (GAO/AIMD-93-25, July 23, 1993) relates to FM12.

Budget Policy: Federal Capital Budgeting (GAO/T-AFMD-93-7, May 26, 1993) relates to FM12.

Budget Policy: Budgetary Treatment of Investment Programs (GAO/T-AFMD-92-15, July 23, 1992) relates to FM12.

Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy (GAO/OCG-92-2, June 5, 1992) relates to FM12.

Financial Reporting: Accounting for the Postal Service's Postretirement Health Care Costs (GAO/AFMD-92-32, May 20, 1992) relates to FM13.

Reinventing Human Resource Management (HRM)

Overall Summary

The effectiveness of federal agencies in achieving their missions depends in large measure on the quality, motivation, and performance of the employees that agencies are able to recruit and retain. The taxpayers are entitled to expect the federal workforce to be governed by human resource policies that ensure the government's programs are carried out as efficiently as possible. However, as we have pointed out in numerous reports on human resource issues, including our December 1992 transition series report on The Public Service, the government's ability to meet this objective has been hampered by limited top-management support coupled with complex and restrictive laws, regulations, and processes.

Overall, we find NPR's recommendations to be in keeping with the spirit of promoting the efficient use of federal human resources. An underlying theme of many of the recommendations is that central control and regulation are unnecessarily hindering the agencies' abilities to manage their human resources, and that greater agency autonomy in areas such as determining the number of employees needed, recruiting and hiring, position classification, and performance management would allow agencies to establish policies better tailored to their own circumstances. We agree, in principle, that greater agency flexibility is a desirable goal and, if used responsibly, could lead to more effective management of the federal workforce.

However, we also believe greater flexibility must be accompanied by an assurance that the agencies are accountable for meeting merit system, equity, equal opportunity, and other national objectives that the central controls were designed to achieve. The report does not indicate how this accountability would be accomplished or whether an oversight role for the Office of Personnel Management is contemplated. In addition, we often found very limited evidence presented to support the positions taken in the report. In some cases, the information was simply too inadequate to allow us to make a meaningful evaluation.

GAO Contact

Nancy R. Kingsbury, Director, Federal Human Resource Management Issues, General Government Division, (202) 512-5074.

Recommendations With Which GAO Agrees

HRM03: Authorize Agencies to Develop Programs for Improvement of Individual and Organizational Performance
Authorize agencies to design their own performance management programs which define and measure success based on each agency's unique needs.

GAO Comments

Our reviews confirm that a prescribed "one size fits all" approach to performance management is too restrictive and does not allow agencies to use systems they find work best in their situations. The September 30, 1993, enactment of the Performance Management and Recognition System Termination Act of 1993 (P.L. 103-89) was an important step toward accomplishing the objectives of this recommendation because it terminated the governmentwide performance management system for federal managers and supervisors. The act authorized agencies to include managers and supervisors, in whatever manner they deemed appropriate, under their performance management systems for employees in general.

HRM04: Authorize Agencies to Develop Incentive Award and Bonus Systems to Improve Individual and Organizational Performance

Authorize agencies to develop their own incentive award and bonus systems. Encourage agencies to establish productivity gainsharing programs to support their reinvention and change efforts.

GAO Comments

Our comments above on recommendation HRM03 apply to this recommendation as well.

HRM07: Enhance Programs to Provide Family-Friendly Workplaces

Implement family-friendly workplace practices (flex-time, flexiplace, job sharing, telecommuting) while ensuring accountability for customer service. Provide telecommunications and administrative support necessary for employees participating in flexiplace and telecommuting work arrangements. Expand the authority to establish and fund dependent care programs. Allow employees to use sick leave to care for dependents. Allow employees who leave and then re-enter federal service to be given credit for prior sick leave balances.

GAO Comments

The dramatic demographic changes occurring in the federal workforce signify the need to modernize federal employment policies to help employees balance their work and family responsibilities. Leading nonfederal employers have found that well-conceived work/family programs can improve employee recruitment, retention, and productivity. Our work shows that the government has not kept pace with other employers in this area.

HRM09: Improve Accountability for Equal Opportunity Goals and Accomplishments
Charge all federal agency heads with the responsibility for ensuring equal opportunity and increasing representation of qualified women, minorities, and persons with disabilities into all levels and job categories, including middle and senior management positions.

GAO Comments
Our work shows that progress is being made in making federal employment and advancement opportunities available to persons representative of all segments of society. However, some agencies have made far greater progress than others. The changing composition of the workforce in general means the government cannot relax its efforts to accommodate and manage the increasing diversity of its own workforce.

HRM13: Form Labor-Management Partnerships for Success
Identify labor-management partnerships as a goal of the executive branch and establish the National Partnership Council.

GAO Comments
Based on our evaluation of the state of the federal labor-management relations program, we concluded that the program is not accomplishing its objectives. We recommended that a panel of nationally recognized experts in labor-management relations and participants in the federal program be convened to develop a proposal for comprehensive program reform. The proposed National Partnership Council could be an appropriate body to serve that purpose. It should be recognized that, depending on the matters made subject to collective bargaining in a revised program, considerable training for federal managers on bargaining strategies and methods could be required since few matters are now subject to bargaining.

Recommendations With Which GAO Generally Agrees

HRM01: Create a Flexible and Responsive Hiring System
Authorize agencies to establish their own recruitment and examining programs. Abolish centralized registers and standard application forms. Allow federal departments and agencies to determine that recruitment shortages exist and directly hire candidates without ranking. Reduce the types of competitive service appointments to three. Abolish the time-in-grade requirement.

GAO Comments

We agree that reforms are needed to bring the federal hiring process more into line with the needs of agencies and job applicants, and we can see merit in allowing agencies greater latitude in determining which job candidates they wish to hire. However, the specific proposals represent significant departures from the traditional hiring process, and we have completed no work on which to base a determination of whether they are the best way to improve the process. More importantly, the report gave no indication of how agencies would be held accountable for ensuring that merit system principles and other statutory requirements, such as veterans' preference in hiring, are followed under a complete decentralization of the hiring process. Thus, we generally agree with the recommendation's objective, but cannot endorse the specific proposals without further study.

HRM02: Reform the General Schedule Classification and Basic Pay System

Remove all grade-level classification criteria from the law. Provide agencies with flexibility to establish broadbanding systems built upon the General Schedule framework.

GAO Comments

Similar to our position on the previous recommendation, we generally favor granting agencies increased prerogatives in managing their human resources, but are concerned about how they would be held accountable for their actions. The current job classification system evolved to implement the principle that there be equal pay for substantially equal work for all employees in each local pay area. The report gave no indication of how the integrity of the job classification and pay system would be maintained if each agency were allowed to establish its own system without central guidance and controls. Our examinations of the broadbanding approach to position classification have shown it was generally successful in the few instances in which it was used, but the tests were too limited for a conclusion that it would be appropriate in other locations. Salary costs also tended to be higher under a broadbanding system. Legislation to allow broadbanding in all agencies has been proposed in the past, but was not enacted because of congressional concerns that it had not been sufficiently tested.

HRM05: Strengthen Systems to Support Management in Dealing with Poor Performers

Develop a culture of performance which provides supervisors with the skills, knowledge, and support they need to deal with poor performers, and holds supervisors accountable for effectively managing their human resources. Reduce by half the time needed to terminate federal employees for cause.

GAO Comments

In 1989, we surveyed a random sample of supervisors across government and in specific agencies asking about their experiences in identifying and dealing with poor performers. The survey respondents felt that implementing the process was unduly difficult and time-consuming. Some of the difficulties they expressed were a perceived lack of management support, a perceived lack of authority to propose performance actions, and a reluctance to go through the appeal or arbitration process. They were particularly concerned about the limited actions available to them in dealing with employees who were performing at the level between fully successful and unacceptable (minimally successful).

Our findings indicated a need for agency management to focus on creating an environment within which supervisors are encouraged and motivated to deal with poor performers and are properly trained and supported when they attempt to deal with them. Thus, we agree with the general thrust of the recommendation. However, we are concerned that the recommendation does not address the need to ease the difficulties supervisors encounter when dealing with employees who perform at the minimally successful level for extended periods of time. Also, we have done no work on which to base an opinion on the reasonableness of the goal to reduce by half the time required to terminate employees for cause.

HRM06: Clearly Define the Objective of Training as the Improvement of Individual and Organizational Performance; Make Training more Market-Driven

Reduce restrictions on training to allow managers to focus on organizational mission and to take advantage of the available training marketplace.

GAO Comments

We find this recommendation to be rather vague as to exactly what changes are being called for. However, we agree completely that greater

emphasis on federal employee training is needed. Training expenditures are often one of the first areas to be cut when agency budgets are reduced, and our work indicates that many employees are not receiving all of the training they need. In a 1991 survey of federal employees, we asked about their training experiences and needs. Overall, the employees expressed fairly positive views about training, but sizeable numbers felt their training experiences left something to be desired. The following findings from the survey illustrate the extent to which employees may have unmet training needs.

- About one-quarter of the respondents said they had no agency-paid training of any kind during the previous 2 years.
- When asked to what extent their agencies encouraged them to participate in training, about 36 percent checked some, little, or no extent.
- About 20 percent said they needed a great deal to a very great deal of additional job-related training.
- Almost a quarter said they were treated fairly only some of the time or never when it came to training.

HRM11: Strengthen the Senior Executive Service (SES) So That It Becomes a Key Element in the Governmentwide Culture Change Effort

Create and reinforce a corporate perspective within the SES that supports governmentwide culture change. Promote a corporate succession planning model to use to select and develop senior staff. Enhance voluntary mobility within and between agencies for top senior executive positions in government.

GAO Comments

Although this recommendation is not very specific, it appears to be intended to achieve a more governmentwide approach to SES matters. We believe this idea may have merit. The SES has not been the highly mobile cadre of managers envisioned by the Civil Service Reform Act. Few SES members change agencies. Our work has also shown that relatively few SES appointees completed candidate development programs designed to enhance their managerial skills.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

HRM08: Improve Processes and Procedures Established to Provide Workplace Due Process for Employees

Eliminate jurisdictional overlaps. All agencies should establish alternative dispute resolution methods and options for the informal disposition of employment disputes.

GAO Comments

Intuitively, this recommendation appears reasonable. We agree that improvements in the processes for resolving employment disputes should be sought, but we have done no work to form an opinion on the extent to which improvements are possible. In a 1983 report entitled Survey of Appeal and Grievance Systems Available to Federal Employees, we concluded there was no strong evidence that consolidating existing appeal and grievance systems would result in significant savings in time or money. We found that the individual systems were established to serve specific needs and that nothing had come to light to suggest that these needs no longer existed. We have made no further examination of this issue.

HRM10: Improve Interagency Collaboration and Cross Training for Human Resource Professionals

Establish an Interagency Equal Employment Opportunity and Affirmative Employment Steering Group under the joint chair of the Equal Employment Opportunity Commission and the Office of Personnel Management. Require appropriate cross training for human resource management professionals.

GAO Comments

Again, this recommendation seems reasonable, but it is not an issue we have examined.

HRM12: Eliminate Excessive Red Tape and Automate Functions and Information

Phase out the entire 10,000 page Federal Personnel Manual (FPM) and all agency implementing directives by December 1994. Replace the FPM and agency directives with automated personnel processes, electronic decision support systems and "manuals" tailored to user needs.

GAO Comments

In general, the FPM and agency directives provide guidance to federal

managers on how to interpret and apply the statutes pertaining to federal employment. To the extent that they can be simplified and automated, they could possibly better accomplish their purposes. While we believe the recommendation's objective is sound and should be seriously explored, we have no opinion on the amount of effort and cost it would take to automate and reengineer the work processes. Nor do we have an opinion on the prospects of developing and having replacement processes, systems, and manuals in place by December 1994. We note, however, that major automation initiatives tend to be costly.

HRM14: Provide Incentives to Encourage Voluntary Separations
Provide departments and agencies with the authority to offer separation pay. Decentralize the authority to approve early retirement. Authorize departments and agencies to fund job search activities and retraining of employees scheduled to be displaced. Limit annual leave accumulation by senior executives to 240 hours.

GAO Comments
This recommendation is based on the premise that the government has too many employees and should be reduced by offering employees opportunities and incentives to leave. The NPR report does not clearly indicate how many employees, if any, are excess or how the determination was made that agencies have more employees than they need to accomplish their missions. We have long maintained that the numbers and types of employees needed should be determined through sound workforce planning procedures. We see no apparent relationship between the downsizing issue and the accumulation of annual leave by senior executives.

Additional Areas of GAO Concern

The issues discussed in the Office of Personnel Management (OPM) and other sections of this report are also HRM-related areas of concern.

Related GAO Products

The Public Service (GAO/OCG-93-7TR, Dec. 1992) relates to the overall summary.

Federal Personnel Management: OPM Reliance on Agency Oversight of Personnel System Not Fully Justified (GAO/GGD-93-24, Dec. 8, 1992) relates to HRM01.

Personnel Practices: Schedule C and Other Details to the Executive Office of the President (GAO/GGD-93-14, Nov. 6, 1992) relates to HRM01.

Federal Employment: Poor Service Found at Federal Job Information Centers (GAO/GGD-92-116, July 28, 1992) relates to HRM01.

Federal Hiring: Does Veterans' Preference Need Updating? (GAO/GGD-92-52, Mar. 20, 1992) relates to HRM01.

Personnel Practices: Propriety of Career Appointments Granted Former Political Appointees (GAO/GGD-92-51, Feb. 12, 1992) relates to HRM01.

Federal Recruiting: College Placement Officials' Views of the Government's Campus Outreach Efforts (GAO/GGD-92-48BR, Jan. 31, 1992) relates to HRM01.

Federal Recruiting and Hiring: Authority for Higher Starting Pay Useful But Guidance Needs Improvement (GAO/GGD-91-22, Sept. 10, 1991) relates to HRM01.

Federal Workforce: Inappropriate Use of Experts and Consultants at Selected Federal Agencies (GAO/GGD-91-99, July 17, 1991) relates to HRM01.

Federal Recruiting and Hiring: Making Government Jobs Attractive to Prospective Employees (GAO/GGD-90-105, Aug. 22, 1990) relates to HRM01.

Federal Workforce: Selected Sites Cannot Show Fair and Open Competition for Temporary Jobs (GAO/GGD-90-106, Sept. 5, 1990) relates to HRM01.

Personnel Practices: Questionable Personnel Practices at the U.S. Fish and Wildlife Service (GAO/GGD-90-43, Jan. 23, 1990) relates to HRM01.

Federal Personnel: Special Authorities Under the Demonstration Project at Commerce (GAO/GGD-92-124BR, July 13, 1992) relates to HRM02.

Federal Personnel: Review of Evaluation of Personnel Demonstration Project at Commerce (GAO/GGD-91-93, May 14, 1991) relates to HRM02.

Federal Pay: Special Rates Effect on Recruitment and Retention for Selected Clerical Occupations (GAO/GGD-90-118, Sept. 24, 1990) relates to HRM02.

Federal Personnel: Observations on the Navy's Managing to Payroll Program (GAO/GGD-90-47, Mar. 27, 1990) relates to HRM02.

Federal Personnel: Observations on the Navy's Personnel Management Demonstration Project (GAO/GGD-88-79, May 3, 1988) relates to HRM02.

Federal Performance Management: Agencies Need Greater Flexibility in Designing Their Systems (GAO/GGD-93-57, Feb. 24, 1993) relates to HRM03 and HRM04.

Performance Management: Comments on Reauthorization of the Performance Management and Recognition System (GAO/T-93-37, June 24, 1993) relates to HRM03 and HRM04.

Federal Employment: How Federal Employees View the Government as a Place to Work (GAO/GGD-92-91, June 18, 1992) relates to HRM03, HRM04, HRM06, and HRM07.

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990) relates to HRM03.

Performance Management: Appraisal and Promotion Results at the U.S. Customs Service (GAO/GGD-90-40, May 18, 1990) relates to HRM03 and HRM04.

Blue Collar Workers: Appraisal Systems Are in Place, But Basic Refinements Are Needed (GAO/GGD-87-72, June 18, 1987) relates to HRM03.

Pay for Performance: Interim Report on the Performance Management and Recognition System (GAO/GGD-89-69BR, May 18, 1989) relates to HRM03 and HRM04.

Pay for Performance: Agency Personnel Directors' Views (GAO/GGD-89-126FS, Sept. 15, 1989) relates to HRM03 and HRM04.

Pay for Performance: State and International Public Sector Pay-for-Performance Systems (GAO/GGD-91-1, Oct. 12, 1990) relates to HRM03 and HRM04.

Gainsharing: DOD Efforts Highlight an Effective Tool for Enhancing Federal Productivity (GAO/GGD-86-143BR, Sept. 26, 1986) relates to HRM04.

Action Needed to Enhance the Credibility of Senior Executive Service Performance Award Programs (GAO/FPCD-81-65, Sept. 30, 1981) relates to HRM04.

Performance Management: How Well Is the Government Dealing with Poor Performers? (GAO/GGD-91-7, Oct. 2, 1990) relates to HRM05.

Poor Performers: How Are They Identified and Dealt With in the Social Security Administration? (GAO/GGD-89-28, Jan. 27, 1989) relates to HRM05.

Training Budgets: Agency Budget Reductions in Response to the Balanced Budget Act (GAO/GGD-86-98BR, July 16, 1986) relates to HRM06.

Federal Workforce: Data on Training Received by Agency Executives, Managers, and Supervisors (GAO/GGD-88-18FS, Nov. 30, 1987) relates to HRM06.

OPM Needs to Provide Better Guidance to Agencies for Approving Government-Funded College Courses (GAO/FPCD-82-61, Sept. 20, 1982) relates to HRM06.

The Changing Workforce: Demographic Issues Facing the Federal Government (GAO/GGD-92-38, Mar. 24, 1992) relates to HRM07 and HRM09.

The Changing Workforce: Comparison of Federal and Nonfederal Work/Family Programs and Approaches (GAO/GGD-92-84, Apr. 23, 1992) relates to HRM07.

Federal Personnel: Federal Agencies' Part-Time Employment Programs (GAO/GGD-86-103BR, July 7, 1986) relates to HRM07.

Federal Workforce: Agencies' Estimated Costs for Counseling and Processing Discrimination Complaints (GAO/GGD-92FS, Mar. 26, 1992) relates to HRM08.

Survey of Appeal and Grievance Systems Available to Federal Employees (GAO/GGD-84-17, Oct. 20, 1983) relates to HRM08.

Health and Human Services: Update on Hispanic Representation in HHS (GAO/GGD-93-47FS, Dec. 30, 1992) relates to HRM09.

Federal Affirmative Employment: Status of Women and Minority Representation in Federal Law Enforcement Occupations (GAO/T-GGD-93-2, Oct. 1, 1992) relates to HRM09.

Federal Workforce: Continuing Need for Federal Affirmative Employment (GAO/GGD-92-27BR, Nov. 27, 1991) relates to HRM09.

Federal Affirmative Employment: Status of Women and Minority Representation in the Federal Workforce (GAO/T-GGD-91-32, May 16, 1991, and GAO/T-GGD-92-2, Oct. 23, 1991) relates to HRM09.

Federal Affirmative Action: Better EEOC Guidance and Agency Analysis of Underrepresentation Needed (GAO/GGD-91-86, May 10, 1991) relates to HRM09.

Equal Employment: Minority Representation at USDA's National Agricultural Statistics Service (GAO/GGD-91-31BR, Mar. 18, 1991) relates to HRM09.

EEO at Justice: Progress Made But Underrepresentation Remains Widespread (GAO/GGD-91-8, Oct. 2, 1990) relates to HRM09.

Equal Employment Opportunity: Representation of Minorities and White Women at Fort Lee Army Post, Virginia (GAO/GGD-90-27, Jan. 17, 1990) relates to HRM09.

Disabled Veterans' Employment: Performance Standards Needed to Assess Program Results (GAO/GGD-89-45, Feb. 28, 1989) relates to HRM09.

Senior Executive Service: Opinions About the Federal Work Environment (GAO/GGD-92-63, May 1, 1992) relates to HRM11.

Senior Executive Service: The Extent to Which SES Members Have Used the Sabbatical Program (GAO/GGD-88-90, Aug. 4, 1988) relates to HRM11.

Senior Executive Service: Executives' Perspectives on Their Federal Service (GAO/GGD-88-109FS, July 20, 1988) relates to HRM11.

Senior Executive Service: Reasons the Candidate Development Program Has Not Produced More SES Appointees (GAO/GGD-88-47, Apr. 20, 1988) relates to HRM11.

Implementation of the Navy's Program to Rotate Career SES Members (GAO/GGD-88-4, Oct. 5, 1987) relates to HRM11.

Agencies' Use of the Candidate Development Program (GAO/GGD-86-93, July 14, 1986) relates to HRM11.

Federal Labor Relations: A Program in Need of Reform (GAO/GGD-91-101, July 30, 1991) relates to HRM13.

The Federal Labor-Management Relations Program (GAO/T-GGD-92-8, Nov. 19, 1991) relates to HRM13.

Federal Employment: Displaced Federal Workers Can Be Helped by Expanding Existing Programs (GAO/GGD-92-86, May 5, 1992, and GAO/T-GGD-92-38, May 6, 1992) relates to HRM14.

Federal Employees: Early Retirements in the Department of Defense (GAO/GGD-89-53FS, Feb. 23, 1989) relates to HRM14.

Information on the Administration's Program to Reduce Grade 11-15 Positions (GAO/GGD-85-48, Mar. 28, 1985) relates to HRM14.

Federal Workforce: How Certain Agencies Are Implementing the Grade Reduction Program (GAO/GGD-86-33, Jan. 3, 1986) relates to HRM14.

Also see the reports cited under the Office of Personnel Management (OPM) section of this report.

Reinventing Federal Procurement (PROC)

Overall Summary

We strongly support the need for procurement reform. A number of our studies over the years have identified a wide range of problems in the government's multibillion dollar procurement system. NPR recommendations for reinventing federal procurement address many of the concerns we have expressed in reports and testimonies about the way the government does business. It is important to recognize, however, that public support for reform can only be sustained by ensuring the integrity and fairness of the procurement process and properly protecting the government's and taxpayers' interests.

GAO Contact

David E. Cooper, Director, Acquisition Policy, Technology and Competitiveness Issues, National Security and International Affairs Division, (202) 512-4587.

Recommendations With Which GAO Agrees

PROC02: Build an Innovative Procurement Workforce
Establish an interagency program to improve the government wide procurement workforce. Provide civilian agencies with authority for improving the acquisition workforce similar to that of the Defense Department's.

GAO Comments
We strongly support efforts to improve the management, training, and career development of the procurement workforce governmentwide. We believe all agencies, civilian as well as military, should have the authority needed to improve acquisition workforce management and training. However, we have not specifically addressed the applicability to civilian agencies of the Defense Department's authority and initiatives in acquisition workforce issues.

PROC09: Lower Costs and Reduce Bureaucracy in Small Purchases Through the Use of Purchase Cards
Provide managers with the ability to authorize employees to purchase small dollar value items directly using a government purchase card. Require internal government supply sources to accept this card.

GAO Comments
We have reported that, with adequate internal controls, the small purchases credit card program can help agencies improve the efficiency of their purchasing and payment processes when used for purchases of $25,000 or less from both commercial and government sources. The credit

card program offers several benefits, such as reduced paperwork, prompt receipt of items, and a reduction in the number of invoices and inquiries about payments.

PROC10: Ensure Customer Focus in Procurement
Revise Procurement Management Reviews to incorporate NPR principles such as "focusing on results" for the line managers.

GAO Comments
We advocate the use of procurement management reviews as an important tool in procurement planning, management, and oversight. Our work shows that procurement management reviews can provide useful information to improve agencies' procurement organizations and operations.

PROC13: Foster Reliance On the Commercial Marketplace
Change laws to make it easier to buy commercial items. For example, revise the definition of commercial item. Revise government wide and agency regulations and procedures which preclude the use of commercial specifications.

GAO Comments
We strongly support efforts to promote and simplify commercial item acquisitions. For example, we strongly support legislative proposals to broaden the definition of commercial items and otherwise promote and simplify such acquisitions. We also fully support the use of commercial product descriptions, whenever they best satisfy the government's legitimate needs.

PROC14: Expand Electronic Commerce for Federal Acquisition
Establish a government wide program to use electronic commerce for federal procurements.

GAO Comments
We agree that automated technologies can be used to facilitate computer-to-computer exchange of routine information and that such a capability could play a key role in greatly improving the federal government's business operations and processes, including procurement of products and services. Effective implementation of Electronic Data

Interchange (EDI) systems would help reduce the burdens of the paper-based process now imposed on business and government and could increase small business participation in the procurement process. Experience implementing EDI within large private sector companies and the Department of Defense shows that effective EDI implementation requires (1) business plans that clearly define how the technology will benefit the targeted business areas, (2) using a standard approach that concentrates on consistent electronic business forms for each business area, and (3) a corporatewide telecommunications infrastructure to support electronic business within the agency and with external trading partners (other agencies, vendors, etc.).

PROC16: Promote Excellence in Vendor Performance
Establish an interagency Excellence in Vendor Performance Forum that would develop policies and techniques to measure contractor performance for use in contract decisions. Establish an award for contractor and government acquisition excellence.

GAO Comments
We fully support programs that are designed to recognize past performance in selecting contractors. We support programs that emphasize quality and established performance, as well as price, in awarding contracts. We further believe that increased emphasis should be placed on product quality and on-time delivery in assessing contractor performance.

PROC18: Authorize Multiyear Contracts
Authorize multiyear contracts and allow contracts for severable services to cross fiscal years.

GAO Comments
For many years, we have favored proposals to provide civilian agencies with statutory authority, similar to that of the Department of Defense, to enter into multiyear contracts. Such legislation could also include a provision enabling agencies to enter into severable service contracts across fiscal years, financed by annual appropriations.

PROC19: Conform Certain Statutory Requirements for Civilian Agencies to Those of Defense Agencies
Repeal requirements for commercial pricing certificates and authorize contract awards without discussions, where appropriate. Maintain the $500,000 threshold for cost and pricing data requirements for the Defense Department and establish the same threshold for civilian agencies.

GAO Comments
We agree that the laws and regulations governing civilian and defense agency acquisitions should be as consistent as possible, including authority for awards without discussions. We have recently testified in support of a permanent $500,000 threshold for cost and pricing data. We have not done work on commercial pricing certificates.

Recommendations With Which GAO Generally Agrees

PROC03: Encourage More Procurement Innovation
Provide new legislative authority to test innovative procurement methods. Establish a mechanism to disseminate information government wide on innovative procurement ideas.

GAO Comments
We support agency testing of innovative procurement methods and believe that establishing means to publicize innovative ideas could be beneficial. Adequate controls and oversight over testing should be maintained, however. Existing authority to test procurement innovations requires congressional approval, has been little used, and may need improvement.

PROC04: Establish New Simplified Acquisition Threshold and Procedures
Enact legislation to simplify small purchases by raising the threshold for the use of simplified acquisition procedures from $25,000 to $100,000 and raise the various thresholds for the application of over a dozen other statutory requirements that similarly complicate the process. To ensure small business participation, establish a single electronic bulletin board capability to provide access to information on contracting opportunities.

GAO Comments
We support recommendations such as these which, if effectively implemented, can (1) increase the productivity of a shrinking Federal workforce, (2) reduce costs for both the government and its suppliers, and (3) enhance opportunities for small businesses. However, appropriate management attention and internal controls for both small purchases and

electronic contracting initiatives are essential to ensure that these efforts are successful and abuses are avoided. We have not specifically addressed raising particular statutory threshold levels.

PROC05: Reform Labor Laws and Transform the Labor Department Into an Efficient Partner For Meeting Public Policy Goals
Enact legislation to simplify acquisition labor laws such as the Davis-Bacon Act, the Copeland Act, and the Service Contract Act. Improve access to wage schedules through an on-line electronic system.

GAO Comments
We believe that simplification of acquisition labor laws is a step in the right direction. One step we support to further this simplification is to consolidate Davis-Bacon functions, now shared by the Department of Labor and GAO, in the Department of Labor. Also, we are conducting a partial review of the changes that have occurred since our last comprehensive report on Davis-Bacon in 1979 that would affect the procedure for setting prevailing wages. That work should shed more light on this issue. Further, while we have not specifically addressed the issue of access to wage schedules through on-line electronic systems, we believe it represents good business practices.

PROC08: Reform Information Technology Procurements
Increase the delegation of authority to agencies to purchase information technology. For purchases less than $500,000 for products, and $2.5 million for services over the life of a contract, eliminate indepth requirements for analyses of alternatives. Pilot-test alternative ways of buying commercially available information technology items.

GAO Comments
We support increasing delegations of procurement authority to those agencies that have a good information technology acquisition track record. Given the history of widespread problems in government information technology acquisitions, however, we do not support increased delegations or relief from planning requirements for agencies that do not have proven track records. Proper evaluation of alternatives lessens the risk that agencies will select alternatives that do not fully meet user requirements or are unnecessarily complex and expensive. We believe the recommendation to "eliminate indepth requirements for analyses of alternatives" for smaller acquisitions is unnecessary because the

government's current policy—codified in the Federal Information Resources Management Regulation (FIRMR Sect. 201-20)—states that agencies should vary the depth of their analyses based upon the size and complexity of their requirements.

We support pilot-testing of alternative methods of acquisition.

PROC11: Improve Procurement Ethics Laws
Create consistency across the government in the application of procurement ethics laws.

GAO Comments
We support the reasoned and equitable application of procurement ethics laws. Ethical conduct in the procurement area is governed by several statutes, some of which contain overlapping provisions. Some agencies, such as DOD, are subject to additional statutory restrictions or requirements not applicable elsewhere in the government. We have previously reported that agencies had difficulty implementing some of these provisions.

PROC15: Encourage Best Value Procurement
To recognize other factors besides price, define "best value" and provide regulatory guidance to implement a program for buying on a "best value" basis. Issue guide on the use of "best practices" source selection procedures.

GAO Comments
We strongly support the use of best value procurement principles in federal procurement. The government should have the means to ensure that it gets the greatest value for the dollar. We also support the proposed improvements. Best value buying requires, however, that evaluation criteria be clear and that procurement personnel be properly trained.

PROC20: Streamline Buying for the Environment
Develop "best practice" guides on buying for the environment. Encourage multiple award schedule contractors to identify environmentally preferable products. Provide energy efficiency information in government catalogs and automated systems.

GAO Comments
We support environmentally sound buying practices. Our work has shown that agencies can improve their efforts in this regard. NPR's recommendations have merit.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

PROC01: Reframe Acquisition Policy
Convert the 1,600 pages of the Federal Acquisition Regulation from a set of rigid rules to a set of guiding principles.

GAO Comments
Although we strongly support simplification of the procurement rules where appropriate, we are unable to respond fully to the recommendation without greater specificity.

PROC06: Amend Protest Rules
Change the standard of review at the General Services Board of Contract Appeals to conform to that used in the relevant courts. Allow penalties for frivolous protests. Allow contract negotiation to continue up to the point of contract award, even though a protest has been filed with the General Services Board of Contract Appeals.

GAO Comments
We have no work specifically on these issues that provides an adequate basis for comment.

PROC07: Enhance Programs for Small Business and Small Disadvantaged Business Concerns
Repeal statutory limitations on subcontracting and substitute regulatory limitations to provide greater flexibility. Authorize civilian agencies to establish small disadvantaged business set-asides.

GAO Comments
Although we endorse efforts to improve small and small disadvantaged

business participation in the federal marketplace, we have no work on these specific issues that would provide an adequate basis for comment.

PROC12: Allow for Expanded Choice and Cooperation in the Use of Supply Schedules

Allow state and local governments, grantees, and certain nonprofit agencies to use federal supply sources. Similarly, allow federal agencies to enter into cooperative agreements to share state and local government supply sources.

GAO Comments

We have not done any analysis of this issue. However, allowing federal, state, and local governments to share supply sources may offer opportunities to increase the government supplier base and decrease costs of common supplies and services at all levels of government.

PROC17: Authorize a Two-Phase Competitive Source Selection Process

Authorize the use of a two-phase selection process for certain types of contracts so that an offeror does not incur a substantial expense in preparing a contract proposal.

GAO Comments

We could support efforts to simplify the procurement process to reduce the cost of competing for government contracts provided that potential contractors are not rejected unreasonably. However, the precise dimensions of the recommendation are uncertain.

Additional Areas of GAO Concern

Our work in reviewing information technology acquisitions indicates that agencies should systematically identify potential risks in systems under development, then alter their acquisition plans and strategies to manage and control the identified risks. In doing so, they should draw on established guidance, such as Information Technology: A Model to Help Managers Decrease Acquisition Risks (GAO/IMTEC-8.1.6, Aug. 1990).

Related GAO Products

Acquisition Reform: DOD's Efforts to Streamline Its Acquisition System and Reduce Personnel (GAO/NSIAD-90-21, Nov. 1, 1989) relates to PROC02.

Defense Management: Implementation of the Defense Acquisition Workforce Improvement Act (GAO/NSIAD-92-97, Jan. 31, 1992) relates to PROC02.

Weapons Acquisition: A Rare Opportunity for Lasting Change (GAO/NSIAD-93-15, Dec. 1992) relates to PROC02.

Acquisition Management: Waivers to Acquisition Work Force Training, Education, and Experience Requirements (GAO/NSIAD-93-128, Mar. 30, 1993) relates to PROC02.

Acquisition Management: Implementation of the Defense Acquisition Workforce Improvement Act (GAO/NSIAD-93-129, Apr. 26, 1993) relates to PROC02.

General Management Issues (GAO/OCG-93-3TR, Dec. 1992) relates to PROC03 and PROC10.

Procurement: DOD Efforts Relating to Nondevelopmental Items (GAO/NSIAD-89-51, Feb. 7, 1989) relates to PROC03 and PROC13.

DOD Food Inventory: Using Private Sector Practices Can Reduce Costs and Eliminate Problems (GAO/NSIAD-93-110, June 4, 1993) relates to PROC03 and PROC13.

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993) relates to PROC03 and PROC13.

Defense Inventory: Applying Commercial Purchasing Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993) relates to PROC03 and PROC13.

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993) relates to PROC03, PROC04, PROC13, and PROC14.

Multiple Award Schedule Purchases: Changes Are Needed to Improve Agencies' Ordering Practices (GAO/NSIAD-92-123, June 2, 1992) relates to PROC03 and PROC14.

Procurement Reform: Comments on Proposed Acquisition Improvement Act of 1993 (GAO/T-OGC-93-1, May 25, 1993) relates to PROC03, PROC04, PROC14, and PROC19.

Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders (GAO/NSIAD-92-88, May 12, 1992) relates to PROC03 and PROC04.

Resolution Trust Corporation: Additional Monitoring of Basic Ordering Agreements Needed (GAO/GGD-93-107, Sept. 13, 1993) relates to PROC03.

NASA Procurement: Planning for Pilot Test of New Procurement Procedures Is Adequate (GAO/NSIAD-94-67, Nov. 4, 1993) relates to PROC04.

The Davis-Bacon Act Should Be Repealed (GAO/HRD-79-18, Apr. 27, 1979) relates to PROC05.

The Congress Should Consider Repeal Of the Service Contract Act (GAO/HRD-83-4, Jan. 31, 1983) relates to PROC05.

Small Business: Problems in Restructuring SBA's Minority Business Development Program (GAO/RCED-92-68, Jan. 31, 1992) relates to PROC07.

Small Business: The Small Business Administration's Progress in Restructuring Its 8(a) Business Development Program (GAO/T-RCED-92-5, Mar. 4, 1992) relates to PROC07.

Small Business: Problems Continue With SBA's Minority Business Development Program (GAO/RCED-93-145, Sept. 17, 1993) relates to PROC07.

Small Business: The Small Business Administration's Progress in Restructuring Its Business Development Program (GAO/T-RCED-93-56, Sept. 22, 1993) relates to PROC07.

Minority Contracting: DOD's Reporting Does Not Address Legislative Goal (GAO/NSIAD-93-167, July 27, 1993) relates to PROC07.

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance Its ADP Oversight (GAO/IMTEC-92-7, Oct. 28, 1991) relates to PROC08 and PROC10.

DOD Computer Contracting: Inadequate Management Wasted Millions of Dollars (GAO/IMTEC-93-31, June 25, 1993) relates to PROC08.

Major NIH Computer System: Poor Management Resulted in Unmet Scientists' Needs and Wasted Millions (GAO/IMTEC-92-5, Nov. 4, 1991) relates to PROC08.

Information Resources: Summary of Federal Agencies' Information Resources Management Problems (GAO/IMTEC-92-13FS, Feb. 13, 1992) relates to PROC08.

Perceived Barriers to Effective Information Resources Management—Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992) relates to PROC08.

Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992) relates to PROC08 and PROC14.

Information Technology: An Audit Guide for Assessing Acquisition Risks (GAO/IMTEC-8.1.4, Dec. 1992) relates to PROC08.

Cash Management: Diners Club Business Travel Management Program Needs Improvement (GAO/AFMD-90-66, Apr. 30, 1990) relates to PROC09.

Cash Management: Benefits and Limitations of the Small Purchases Credit Card Program (GAO/AFMD-90-89BR, Sept. 11, 1990) relates to PROC09.

NASA Contract Management (GAO/HR-93-11, Dec. 1992) relates to PROC10.

Contract Pricing: DOD's Use of the Truth in Negotiations Act Deterrents Could Be Increased (GAO/NSIAD-94-7, Oct. 25, 1993) relates to PROC10.

Implementation of the Certification Requirements of the Procurement Integrity Law (GAO/T-NSIAD-91-05, Feb. 21, 1991) relates to PROC11.

Postal Procurement: Ethics Violations Did Not Invalidate an Automation Contract (GAO/GGD-92-119, Aug. 13, 1992) relates to PROC11.

VA Health Care: Inadequate Enforcement of Federal Ethics Requirements at VA Medical Centers (GAO/HRD-93-39, Apr. 30, 1993) relates to PROC11.

Commercial Practices: Opportunities Exist to Reduce Aircraft Engine Support Costs (GAO/NSIAD-91-240, June 28, 1991) relates to PROC13.

Defense Inventory Management (GAO/HR-93-12, Dec. 1992) relates to PROC13.

National Institute of Standards and Technology: Use of Electronic Data Interchange Technology to Create Valid Obligations (71 Comp. Gen. 109, Dec. 13, 1991) relates to PROC14.

Tax Systems Modernization: IRS' Use of Consultants to Do the TMAC Price/Technical Tradeoff Analysis (GAO/IMTEC-93-4BR, Oct. 23, 1992) relates to PROC15.

Tax Systems Modernization: IRS Could Have Avoided Successful Protests of Major Computer Procurement (GAO/IMTEC-92-27, Mar. 13, 1992) relates to PROC15.

Army Acquisition: Contract for the Reserve Component Automation System (GAO/NSIAD-93-5, Nov. 5, 1992) relates to PROC15.

General Services Administration: Actions Needed to Stop Buying Supplies From Poor-Performing Vendors (GAO/GGD-93-34, Jan. 11, 1993) relates to PROC15 and PROC16.

Defense Procurement: Programs for Considering Vendor's Past Performance in Awarding Contracts (GAO/NSIAD-93-63, June 30, 1993) relates to PROC16.

General Services Issues (GAO/OCG-93-28TR, Dec. 1992) relates to PROC16.

Comments on S.678, 99th Cong., 1st Sess., B-214545, Aug. 7, 1985, relates to PROC18.

Solid Waste: Federal Program to Buy Products With Recovered Materials Proceeds Slowly (GAO/RCED-93-58, May 17, 1993) relates to PROC20.

Solid Waste: Progress in Implementing the Federal Program to Buy Products Containing Recovered Materials (GAO/T-RCED-92-42, Apr. 3, 1992) relates to PROC20.

Wastepaper Recycling: Programs of Civil Agencies Waned During the 1980s (GAO/GGD-90-3, Dec. 15, 1989) relates to PROC20.

Reinventing Support Services (SUP)

Overall Summary

Our December 1992 transition series reports on Government Management Issues and General Services Issues highlighted the need for reforms of traditional federal management principles and processes as well as a fundamental restructuring of the way federal agencies obtain the general purpose office space, goods, and services they need to support their missions. Traditional methods of delivering essential mission support services to the federal agency community may have worked well years ago. But they no longer allow the government to satisfy agencies' administrative support needs quickly and effectively in a rapidly changing world.

Many private and other public sector organizations, in this country as well as abroad, have revamped the way they provide general administrative services—separating policymaking and regulation or oversight from operations, encouraging competition, and decentralizing some operations to bring services closer to the customer. In concluding, as we had in our transition series reports on overall federal management and GSA, that the traditional federal administrative support model, grounded in centralization and uniformity, should be replaced with a new one that is based on entrepreneurial and competitive principles, NPR's report echoed our basic concerns in this area.

GAO Contact

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Recommendations With Which GAO Agrees

SUP03: Improve Distribution Systems to Reduce Costly Inventories
Permit customer choice in sources of supply. Compare depot distribution costs with commercial distribution systems. Take away the Federal Prison Industries' status as a mandatory source of federal supplies and require it to compete commercially for federal agencies' business. Increase the use of electronic commerce for ordering from depot systems.

GAO Comments
We agree that existing inventories of equipment and supplies can and should be reduced and that federal agencies should be permitted to choose their sources of supply. This will mean that central service providers that now have mandatory source status, such as GSA and Federal Prison Industries (FPI), will have to compete directly with the private sector and others for federal agencies' business. While we support this concept, there are barriers and obstacles that likely would inhibit

these agencies from competing effectively. These problems need to be identified, reexamined, and resolved.

SUP08: Give Customers Choices and Create Real Property Enterprises That Promote Sound Real Property Asset Management
Give agencies greater authority to choose their sources of real property services. Create competitive enterprises within the government to provide real property services on a fee basis, and encourage federal managers to seek the best available source. Create an ownership enterprise for the sound management of federal real property assets. Establish a governmentwide policy for real property asset management. Manage the Federal Buildings Fund in a manner comparable to the commercial sector.

GAO Comments
We support the overall thrust of this recommendation. It echoes our longstanding concerns about GSA's monopoly and conflicting roles and the unbusinesslike way the federal government's vast, valuable real estate assets are acquired and managed. While we support the concepts of ending GSA's office space monopoly and creating a new real property asset management enterprise to oversee the federal real estate portfolio and help maximize its return on investment, barriers inhibiting effective asset management and GSA's ability to compete will need to be reexamined and resolved.

SUP11: Reduce Postage Costs Through Improved Mail Management
Encourage postage savings through the implementation of mail management initiatives. Allow line managers to manage their own postal budgets.

GAO Comments
We support the pursuit of available postage discounts and other initiatives that would reduce federal agencies' mail costs.

Recommendations With Which GAO Generally Agrees

SUP01: Authorize the Executive Branch to Establish a Printing Policy That Will Eliminate the Current Printing Monopoly
Give the executive branch authority to make its own printing policy that will eliminate the mandatory printing source. Develop a new executive branch printing policy for the 21st century.

GAO Comments

We agree that the Government Printing Office's (GPO) monopoly-like status contributes to inefficiencies and ineffectiveness and that GPO's mandatory source status for executive branch agencies should be eliminated. We also agree that a new executive branch printing policy will be needed, but we have no basis to say who, within the executive branch, should be responsible for developing such a policy or what specific provisions should be included to ensure agencies have sufficient flexibility in meeting their printing needs.

SUP02: Assure Public Access to Federal Information

Give the executive branch agencies responsibility for distributing printed federal information to depository libraries. Require agencies to inventory the federal information they hold, and make it accessible to the public.

GAO Comments

We agree with the intent of this recommendation. However, we have no basis to comment on specifically how and by whom it would be implemented within the executive branch, nor on how costs should be borne.

SUP04: Streamline and Improve Contracting Strategies for the Multiple Award Schedule Program

Eliminate the use of mandatory supply schedules. Make the supply schedule system easier to use by reducing the administrative burden for acquisitions under $10,000. In addition, eliminate the announcement requirements and raise the maximum order limitations for the purchase of information technology items listed in supply schedules.

GAO Comments

We support efforts to improve the Multiple Award Schedule program, including streamlining the solicitation, selection, and related requirements under the schedules. We have supported proposals to revise the dollar threshold for announcement requirements, but have not supported elimination of those requirements. Our work to date has not addressed eliminating the use of mandatory supply schedules.

SUP05: Expand Agency Authority and Eliminate Congressional Control Over Federal Vehicle Fleet Management

Update vehicle replacement standards. Increase emergency repair limits to $150. Eliminate the monopoly on disposing of agency-owned vehicles.

GAO Comments

Our ongoing work in this area indicates that this NPR recommendation has merit. This recommendation was originally proposed by the President's Management Improvement Council in 1992 and has been accepted by GSA, the Office of Management and Budget and other agencies with motor vehicle fleets. However, actions shouldn't be restricted to these operational matters. State governments and private firms have made additional strategic improvements to their fleets through benchmarking and improved information systems that might also be applicable to the federal vehicle fleet.

SUP06: Give Agencies Authority and Incentive for Personal Property Management and Disposal

Provide incentives to agencies to dispose of excess personal property. Automate the process and eliminate the monopoly on personal property disposal.

GAO Comments

We agree that property management and disposal policies and practices need improvement and that federal efforts to identify, manage, and dispose of unneeded or underutilized property have been largely ineffective. Most federal agencies have no incentive to give up such property because they generally get nothing for it. Thus, financial incentives could result in improvements. However, most federal agencies do not know the market value of their property and pay no penalty for using it inefficiently.

SUP09: Simplify Procedures for Acquiring Small Blocks of Space to House Federal Agencies

Simplify the procedures for acquiring small amounts of leased space under 10,000 square feet.

GAO Comments

Our ongoing work in the leasing area indicates that this NPR recommendation has merit and may be beneficial for the entire leased

space program. GSA now pays $2 billion annually for leased office space, and these costs are projected to rise to $3 billion annually by 2002. Federal agencies have become increasing dissatisfied with the condition, quality, and costs of their space as well as the length of time it takes GSA to deliver it.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

SUP07: Simplify Travel and Increase Competition
Increase choices for federal travelers and automate the travel process. Pilot-test a tender system for airfares.

GAO Comments
We have done no recent work in this area and have no basis to comment on the merits of this recommendation.

SUP10: Establish New Contracting Procedures for the Continued Occupancy of Leased Office Space
Simplify the procedures for renewing leases.

GAO Comments
We have no basis to comment on the merits of this recommendation.

Additional Areas of GAO Concern

None.

Related GAO Products

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992) relates to the overall summary.

General Services Issues (GAO/OCG-93-28TR, Dec. 1992) relates to the overall summary, SUP03, SUP06, SUP08, and SUP11.

Government Printing Office: Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness (GAO/GGD-90-107, Sept. 26, 1990) relates to SUP01.

Defense Management: Printing Operations at the Department of Defense (GAO/T-NSIAD-93-19, July 15, 1993) relates to SUP01.

Federal Information: Users' Current and Future Technology Needs (GAO/GGD-89-20FS, Nov. 30, 1988) relates to SUP02.

Federal Information: Agency Needs and Practices (GAO/GGD-88-115FS, Sept. 20, 1988) relates to SUP02.

General Services Administration: Increased Direct Delivery of Supplies Could Save Millions (GAO/GGD-93-32, Dec. 28, 1993) relates to SUP03.

Defense Inventory: Applying Commercial Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993) relates to SUP03.

FPI Systems Furniture (GAO/GGD-93-51R, July 7, 1993) relates to SUP03.

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993) relates to SUP03.

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991) relates to SUP03.

Commercial Practices: Opportunities Exist to Reduce Aircraft Engine Costs (GAO/NSIAD-91-240, June 28, 1991) relates to SUP03.

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992) relates to SUP03, SUP05, SUP06, and SUP08.

Multiple Award Schedule Contracting: Changes Needed in Negotiation Objectives and Data Requirements (GAO/GGD-93-123, Aug. 25, 1993) relates to SUP04.

Multiple Award Schedule Purchases: Changes Are Needed to Improve Agencies' Ordering Practices (GAO/NSIAD-92-123, June 2, 1992) relates to SUP04.

Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders (GAO/NSIAD-92-88, May 12, 1992) relates to SUP04.

NASA Property: Improving Management of Government Equipment Provided to Contractors (GAO/NSIAD-93-191, Sept. 9, 1993) relates to SUP06.

Federal Real Property: National Performance Review Recommendations (GAO/T-GGD-93-47, Sept. 21, 1993) relates to SUP08, SUP09, and SUP10.

Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27, 1993) relates to SUP08.

Federal Buildings Fund Limitations (GAO/GGD-93-34R, Apr. 5, 1993) relates to SUP08.

Real Property Management Issues Facing GSA and Congress (GAO/T-GGD-92-4, Oct. 30, 1991) relates to SUP08.

Mail Management: GSA Needs to Improve Support of Agency Programs (GAO/GGD-90-49, Aug. 7, 1990) relates to SUP11.

Section 32

Reengineer Through the Use of Information Technology (IT)

Overall Summary

As discussed in our December 1992 transition series report on Information Management and Technology Issues, widespread weaknesses in federal information resources management underlie many of the problems found in individual programs. Despite heavy investments in computer technology, executive agencies still lack essential information for managing their programs and resources effectively, controlling expenditures, and achieving measurable results. Moreover, many agencies are not using information technology strategically to simplify and streamline their organization, management, and business processes to improve service to the public and reduce costs. As a result, projects have consistently run into serious trouble—they are developed late, fail to work as planned, and cost much more than expected. The results, in missed benefits and misspent money, can be found throughout the government. Dramatic benefits in cost savings, productivity, and service rarely materialize. Rather, some improvements are gained at the margins—but often at a high cost.

NPR's recommendations are intended to make dramatic improvements in government service with greatly reduced costs. We generally agree with the intent of most of these recommendations but have too little detail to fully assess the potential impact of the recommendations on reaching NPR's objectives. We have additional areas of concern (highlighted later in this section) that NPR does not appear to address. One overriding concern with NPR's recommendations is that they are highly dependent on the effective deployment of information technology and information systems. Many agencies simply do not have the capacity in terms of management skills, management continuity, and technical ability to develop the fundamental underpinnings needed to implement the recommendations. The NPR report offers no comprehensive implementation plan for addressing this basic shortcoming in a reasonable timeframe. Without such a plan, we are concerned that the promises offered by NPR cannot be kept.

GAO Contact

Jack L. Brock, Jr., Director, Information Resources Management Policies and Issues, Accounting and Information Management Division, (202) 512-6406.

Recommendations With Which GAO Agrees

None.

Recommendations With Which GAO Generally Agrees

IT01: Provide Clear, Strong Leadership to Integrate Information Technology Into the Business of Government
Create a Government Information Technology Services working group to develop a strategic vision for the use of government information technology and to implement NPR's information technology recommendations.

GAO Comments
We support the recommendation for developing a strategic vision for the use of government information technology. We have consistently cited poor management as a root cause of agencies' shortcomings in using information technology to streamline their operations and improve their service to the public. Specifically, top federal managers continue to overlook the strategic role of information technology in reengineering business practices. The working group could well be the vehicle for developing a strategic vision and—as noted in our overall summary—an implementation plan if the group has sufficiently broad representation. Actual implementation of the NPR recommendations, however, would likely require resources beyond the working group.

IT02: Implement Nationwide, Integrated Electronic Benefit Transfer
Design an integrated implementation plan for the use of electronic benefit transfer for programs such as Food Stamps and for direct payments to individuals without bank accounts.

GAO Comments
We have not yet fully studied the issue of electronic benefit transfers within the context of these particular programs because such initiatives are relatively new. However, we believe this recommendation has merit and warrants further consideration because of its potential for simplifying the delivery of benefit payments.

IT06: Establish an International Trade Data System
Develop and implement a U.S. Government International Trade Data System in the Treasury Department.

GAO Comments
While we do not know the details of this proposed system, we believe it is

important to streamline the collection of data needed to support and facilitate trade, enforce trade laws, and collect customs revenues.

IT07: Create a National Environmental Data Index
Organize the implementation of a national environmental data index in the Commerce Department.

GAO Comments
Our work has shown a need to effectively share environmental data within and among agencies responsible for maintaining and using these data. We do not have enough detail on the proposed National Environmental Data Index to determine if it could facilitate such information sharing.

IT08: Plan, Demonstrate, and Provide Governmentwide Electronic Mail
Improve electronic mail and messaging among federal agencies.

GAO Comments
We believe that electronic mail is rapidly becoming a fundamental tool for communications in all organizations, in both the private and public sectors. As a result, investment in this technology seems warranted.

IT09: Establish an Information Infrastructure
Develop a Government Information Infrastructure to use government information resources effectively and support electronic government applications. Consolidate and modernize government data processing centers.

GAO Comments
Within the context of specific government functions, we have recommended that effective electronic infrastructures be developed. For example, our report War On Drugs: Information Management Poses Formidable Challenges recommended that the agencies involved establish a proper electronic infrastructure to carry out their coordinated drug interdiction efforts. Therefore, while we support the development of critical electronic infrastructures to support specific programs, we do not have enough information about "a Government Information Infrastructure" to endorse it. However, it should be noted that an electronic infrastructure would likely involve state and local governments

that have the primary delivery roles for computer-dependent welfare and health programs. We also generally support the concept of consolidating and modernizing government data processing centers.

IT10: Develop Systems and Mechanisms to Ensure Privacy and Security

Establish a Privacy Protection Board. Establish uniform privacy protection practices and generally acceptable implementation methods for these practices. Develop a digital signature standard for sensitive, unclassified data by January 1994.

GAO Comments

We have identified agencies' inability to ensure the security, integrity, or reliability of information systems as one of the 10 managerial and operational problems most cited in our past work. Indeed, the scope of these problems is so large that establishment of such a board can only be regarded as a first step in resolving these issues. Therefore, we strongly agree with the fundamental principle that data used in federal systems must be adequately protected. However, without more details about the organization and functions of the proposed "Privacy Protection Board," we cannot fully endorse the proposal. Also, the Comptroller General has concluded that digital signatures can be used to meet the requirements of 31 U.S.C. 1501 for recording an obligation (71 Comp. Gen. 109, 1991). Further, the National Institute of Standards and Technology has issued a draft digital signature standard and is currently in the process of finalizing it.

IT11: Improve Methods of Information Technology Acquisition

(see PROC09, PROC10, PROC15, SUP04, and FM06)

GAO Comments

As discussed in our December 1992 transition series report on Information Management and Technology Issues, even well-planned efforts to modernize the use of information technology can be derailed by the federal acquisition management and budget processes. A fundamental dichotomy is at work in large-scale systems development projects: the acquisition management process demands certainty and is risk-averse, yet systems development is inherently uncertain and risk-intensive.

IT13: Provide Training and Technical Assistance in Information Technology to Federal Employees
Establish a program to train non-technical senior executives and political appointees in information technology. Require managers of information resources to meet certification standards. Promote collegial assistance in using information technology. Include training costs as part of all information technology purchases.

GAO Comments
We agree and generally support effective efforts to raise the level of knowledge of information resources management in federal agencies. In 1991, participants in a GAO-sponsored roundtable identified a lack of skills or information on how to manage technology as a barrier to effective information management. Specifically, they believed that staff at all levels of government lacked the training, background, or education necessary to successfully implement—or even understand—information resources management.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

IT03: Develop Integrated Electronic Access to Government Information and Service
Use information technology initiatives to improve customer service by creating a one-stop "800" calling service, integrated one-stop service "kiosks," and a governmentwide electronic bulletin board system.

GAO Comments
While wholeheartedly supporting the use of information technology initiatives to improve customer service, we cannot endorse these specific initiatives without knowing further details about them.

IT04: Establish a National Law Enforcement/Public Safety Network
Establish a national law enforcement/public safety data network for use by federal, state, and local law enforcement officials.

GAO Comments
We cannot reasonably agree or disagree with this recommendation

without knowing more details, such as what type of data would be carried on the network and how and why it would be used.

IT05: Provide Intergovernmental Tax Filing, Reporting, and Payments Processing
Integrate government financial filings, reporting, and payments processing, and determine ways to eliminate the need for filing routine tax returns.

GAO Comments
This recommendation is not clear. Without further explanation, we cannot reasonably agree or disagree.

IT12: Provide Incentives for Innovation
Retain a portion of agency information technology savings to reinvest in information technology. Promote performance-based contracting for information technology. Establish a governmentwide venture capital fund for innovative information technology projects.

GAO Comments
We support the objectives of these concepts. However, we do not know enough about the proposals to determine if they would be effective in encouraging innovation and contract performance. Further, they raise basic issues of program funding that need to be resolved between the Administration and Congress.

Additional Areas of GAO Concern

We have extensively cited widespread weaknesses in federal information resources management. In addition to the issues raised by NPR and the concerns expressed in our overall summary, we have other issues that must be addressed before the government can effectively "reengineer through the use of information technology." These are noted below.

- The information resources management function at agencies needs to be an integral part of agency management to effectively implement technology. It cannot continue to be treated as a separate, and secondary, support function.
- In addition to developing a strategic vision, government agencies need to develop specific business plans that align resources, skills, and strategies with agency mission objectives. Without such plans, information technology cannot be effectively and efficiently deployed.

- The government needs to develop governmentwide system standards and model systems so that common operational and business functions can be addressed more efficiently and at lower cost.
- The government needs to develop criteria and mechanisms for properly evaluating technology investments to ensure that limited resources are allocated in the most cost effective manner.

Related GAO Products

Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992) relates to the overall summary and IT11.

Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992) relates to IT01.

Perceived Barriers to Effective Information Management: Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992) relates to IT01, IT09, and IT13.

Department of Energy: Better Information Resources Management Needed to Accomplish Missions (GAO/IMTEC-92-53, Sept. 29, 1992) relates to IT01.

Transportation Safety: Information Strategy Needed for Hazardous Materials (GAO/IMTEC-91-50, Sept. 25, 1991) relates to IT01.

Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, Feb. 1990) relates to IT01 and IT09.

Tax System Modernization: IRS' Challenge for the 21st Century (GAO/IMTEC-90-13, Feb. 8, 1990) relates to IT01.

Child Support Enforcement: Timely Action Needed to Correct System Development Problems (GAO/IMTEC-92-46, Aug. 13, 1992) relates to IT02.

Welfare Programs: Ineffective Federal Oversight Permits Costly Automated System Problems (GAO/IMTEC-92-29, May 27, 1992) relates to IT02.

Tax Systems Modernization: Input Processing Strategy Is Risky and Lacks a Sound Analytical Basis (GAO/T-IMTEC-92-15, Apr. 29, 1992) relates to IT03.

Public Access: Two Case Studies of Federal Electronic Dissemination (GAO/IMTEC-90-44BR, May 14, 1990) relates to IT03.

Environmental Protection: EPA's Plans to Improve Longstanding Information Resources Management Problems (GAO/AIMD-93-8, Sept. 16, 1993) relates to IT07.

National Water Quality Assessment: Geological Survey Faces Formidable Data Management Challenges (GAO/IMTEC-93-30, June 30, 1993) relates to IT07.

Creation of a Department of Environmental Protection (GAO/T-RCED-93-39, May 6, 1993) relates to IT07.

Environmental Enforcement: EPA Needs a Better Strategy to Manage Its Cross-Media Information (GAO/IMTEC-92-14, Apr. 2, 1992) relates to IT07.

Food Safety: USDA Data Program Not Supporting Critical Pesticide Decisions (GAO/IMTEC-92-11, Jan. 31, 1992) relates to IT07.

Geographic Information System: Forest Service Has Resolved GAO Concerns About Its Proposed Nationwide System (GAO/T-IMTEC-92-14, Apr. 28, 1992) relates to IT09.

War On Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991) relates to IT09.

Tax Systems Modernization: Concerns Over Security and Privacy Elements of the Systems Architecture (GAO/IMTEC-92-63, Sept. 21, 1992) relates to IT10.

Computers and Privacy: How the Government Obtains, Verifies, Uses, and Protects Personal Data (GAO/IMTEC-90-70BR, Aug. 3, 1990) relates to IT10.

Information Technology: A Model to Help Managers Decrease Acquisition Costs (GAO/IMTEC-8.1.6, Aug. 1990) relates to IT11.

Information Technology: An Audit Guide for Assessing Acquisition Risks (GAO/IMTEC-8.1.4, Dec. 1992) relates to IT11.

Management of HHS: Using the Office of the Secretary to Enhance Departmental Effectiveness (GAO/HRD-90-54, Feb. 9, 1990) relates to IT13.

Managing IRS: Actions Needed to Assure Quality Service in the Future (GAO/GGD-89-1, Oct. 14, 1988) relates to IT13.

Rethinking Program Design (DES)

Overall Summary

Time and again our work has shown that the design and implementation of federal programs has not received sufficient attention. For example, we reported in Groundwater Protection: Validity and Feasibility of EPA's Differential Protection Strategy that EPA should pilot test a groundwater protection program before institutionalizing its use. In addition, we reported in Partnership Projects: A Framework for Evaluating Public-Private Housing and Development Efforts that HUD personnel needed improved training in designing programs to implement incentives for provision of privately-owned low-income housing.

Although we have not done work that addresses the specific aspects of the NPR's recommendations, our work has shown that agencies need to establish strong program design capabilities. Such capabilities are critical to creating successful programs. Program design is a complex discipline and should be tailored to individual agency needs as determined by their respective programs. As such, we generally agree with NPR's recommendations to publish a program design handbook and establish pilot efforts within agencies to strengthen agencies' ability to design programs and implement sound program design strategies.

GAO Contact

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

Recommendations With Which GAO Agrees

None.

Recommendations With Which GAO Generally Agrees

DES01: Activate Program Design as a Formal Discipline
The President's Management Council should commission the development of a handbook to help federal managers understand the strengths and weaknesses of various forms of program design.

GAO Comments
We agree that substantial benefits can be gained through analysis of diverse program design methodologies as they relate to specific program goals or objectives. We have not studied the feasibility of a handbook as cited by NPR, but note that many benefits may be derived from program design guidelines and resources such as the handbook.

DES02: Establish Pilot Program Design Capabilities in One or Two Agencies
Test the usefulness of the program design handbook and the value of program design as a useful discipline.

GAO Comments
As discussed in the comment for DES01, we have not studied the feasibility of a handbook as cited by NPR. However, if a handbook is developed, pilot testing it in a few agencies would be an effective way to observe and analyze the feasibility of different program design methodologies.

DES03: Encourage the Strengthening of Program Design in the Legislative Branch
The President's Management Council should work with congressional support agencies to help them strengthen their program design capacities.

GAO Comments
Although we have not assessed specific mechanisms, we agree that it is important for executive branch and congressional support agencies to learn from one another to better assist decisionmakers in designing federal programs.

DES04: Commission Program Design Courses
Develop training courses for managers and policymakers on various program design approaches.

GAO Comments
Although we have not identified the scope or magnitude of specific training needs of managers and policymakers, we strongly agree that program design training is necessary to ensure that managers and policymakers fully understand the strengths and weaknesses associated with program design methodologies.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

None.

Related GAO Products

Partnership Projects: A Framework for Evaluating Public-Private Housing and Development Efforts (GAO/PEMD-90-9, May 22, 1990) relates to the overall summary and DES01.

Groundwater Protection: Validity and Feasibility of EPA's Differential Protection Strategy (GAO/PEMD-93-6, Dec. 9, 1992) relates to the overall summary and DES02.

Federal Budget: Choosing Public Investment Programs (GAO/AIMD-93-25, Mar. 23, 1993) relates to DES01.

Rental Housing: Implementing the New Federal Incentives to Deter Prepayments of HUD Mortgages (GAO/PEMD-91-2, Apr. 30, 1991) relates to DES02.

Public Health Service: Evaluation Set-Aside Has Not Realized Its Potential to Inform the Congress (GAO/PEMD-93-13, Apr. 8, 1993) relates to DES03.

Strengthening the Partnership in Intergovernmental Service Delivery (FSL)

Overall Summary

Our March 1990 report entitled Federal-State-Local Relations: Trends of the Past and Emerging Issues outlined issues that affected the capacity of state and local governments to carry out their responsibility to deliver a broad range of essential public services. During the past decade, changing federalism policies and federal budgetary retrenchment resulted in an increased role of states and localities in the intergovernmental system. Now with new state and local prominence, they stand at the threshold as highly visible leaders of domestic policy. To realize this emerging leadership role in the implementation of domestic policy, the relationship among these partners in the intergovernmental system will need to change. In that light, we agree with the NPR recommendations that seek to give state and local governments more flexibility to create and implement service delivery strategies best suited to their priorities without the burden of increases in federal regulation.

GAO Contact

Joseph F. Delfico, Director, Income Security Issues, Human Resources Division, (202) 512-7215.

Recommendations With Which GAO Agrees

FSL01: Improve the Delivery of Federal Domestic Grant Programs
Create flexibility and encourage innovation by designing a bottom-up solution to the problem of grant proliferation and its accompanying red tape. Also, support the pending proposal for Federal-State Flexibility Grants that has been developed by the National Governors Association and the National Conference of State Legislatures. Establish a Cabinet-level Enterprise Board to oversee NEW initiatives in community improvement.

GAO Comments
We agree that new federal strategies need to be explored to assist state and local governments to develop solutions to improving service delivery. However, as we have reported, because states occupy an increasingly central place in the intergovernmental system, the combination of reduced federal support and increased requirements pose a special threat to states' leadership. We have also documented the efficacy of seeking service delivery solutions at points nearest to the client rather that through "top down" efforts. While we have not done work evaluating specific strategies to improve the overall capacity of state and local governments to deliver domestic services, we agree that the federal role should be one that supports "local solutions for local problems."

FSL02: Reduce Red Tape Through Regulatory and Mandate Relief
Issue an Executive Order addressing the problems of unfunded federal mandates and regulatory relief and authorize Cabinet Secretaries and agency heads to obtain selective relief from regulations or mandates in programs they oversee.

GAO Comments
While regulation of states and localities is an important tool for the federal government to attain its statutory objectives, tensions among levels of government have mounted over the years as regulatory requirements, preemptions, and mandates increased. The cumulative effect of these increases could force state and local governments to choose between meeting their service responsibilities and fulfilling national regulatory objectives.

Recommendations With Which GAO Generally Agrees

FSL04: Eliminate Needless Paperwork by Simplifying the Compliance Certification Process
Simplify OMB's requirements to prepare multiple grant compliance certifications by allowing state and local governments to submit a single certification to a single point of contact in the federal government.

GAO Comments
We support efforts to reduce needless paperwork. However, a single point of contact in the federal government must be identified.

FSL05: Simplify Administration by Modifying the Common Grant Rules on Small Purchases
Modify OMB Circular A-102, "Grants and Cooperative Agreements to State and Local Governments", to increase the dollar threshold for small purchases by local governments from $25,000 to $100,000.

GAO Comments
While we have not recently studied the issue of raising the thresholds with regard to small purchases by local governments, we have taken the stance that thresholds for small purchases for the federal government should be raised. Overall, we believe that grant administration can be simplified. However, we have no empirical evidence to suggest appropriate dollar thresholds for small purchases by local governments.

FSL06: Strengthen the Intergovernmental Partnership
Reinvent the Advisory Commission on Intergovernmental Relations (ACIR) and charge it with the responsibility for continuous improvement in federal, state and local partnership and intergovernmental service delivery. Direct the ACIR to identify opportunities to improve intergovernmental service delivery and develop a set of benchmarks.

GAO Comments
We fully support strengthening intergovernmental partnerships to improve the delivery of services. Because state and local governments are often the frontline providers of services, their views on ways to improve program efficiency and effectiveness should be given the utmost consideration. While a reinvigorated ACIR could be the focal point for identifying opportunities to improve intergovernmental partnerships, we have not done work to support this expanded role and it is conceivable that other entities could also perform this function. For example, individual federal agencies must become more involved in pursuing opportunities for stronger partnerships with state and local governments within existing structures.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

FSL03: Simplify Reimbursement Procedures for Administrative Costs of Federal Grant Disbursement
Modify OMB Circular A-87, "Cost Principles for State and Local Governments," to provide a fixed fee-for-service option in lieu of costly reimbursement procedures covering actual administrative costs of grant disbursement.

GAO Comments
Simplifying administrative cost reimbursement procedures could be less costly and burdensome for state and local governments. We have not reviewed this issue to determine the extent of the problem or the potential cost savings.

Additional Areas of GAO Concern

None.

Related GAO Products

Federal-State-Local Relations: Trends of the Past Decade and Emerging Issues (GAO/HRD-90-34, Mar. 22, 1990) relates to the overall summary and FSL02.

Integrating Human Services: Linking At-Risk Families with Services More Successful than System Reform Efforts (GAO/HRD-92-108, Sept. 24, 1992) relates to FSL01.

Administration on Aging: More Federal Action Needed to Promote Service Coordination of the Elderly (GAO/HRD-91-45, Apr. 23, 1991) relates to FSL01.

Elder Abuse: Effectiveness of Reporting Laws and Other Factors (GAO/HRD-91-74, Apr. 24, 1991) relates to FSL01.

Effectiveness of Reporting Laws and Other Factors in Identifying, Preventing, and Treating Elder Abuse (GAO/T-HRD-91-27, May 15, 1991) relates to FSL01.

Services for the Elderly: Transportation Problems Need More Federal Attention (GAO/HRD-91-117, Aug. 29, 1991) relates to FSL01.

Long Term Care Forum (GAO/HRD-93-1-SP, July 13 & 14, 1993) relates to FSL01.

Legislative Mandates: State Experiences Offer Insights for Federal Action (GAO/HRD-88-75, Sept. 24, 1988) relates to FSL02.

Regulatory Flexibility Act: Inherent Weaknesses May Limit Its Usefulness for Small Governments (GAO/HRD-91-16, Jan. 11, 1991) relates to FSL02.

Discretionary Grants: Opportunities to Improve Federal Discretionary Award Practices (GAO/HRD-86-108, Sept. 15, 1986) relates to FSL02.

Reinventing Environmental Management (ENV)

Overall Summary

We support NPR's overall goal of improving environmental management. On the basis of our completed and ongoing work, we find merit in all four of the recommendations for reinventing environmental management.

GAO Contacts

Richard L. Hembra, Director, Environmental Protection Issues, Resources, Community, and Economic Development Division (RCED), (202) 512-6112 (for ENV01); James Duffus III, Director, Natural Resources Management Issues, RCED, (202) 512-7756 (for ENV02 and ENV04); and Victor S. Rezendes, Director, Energy and Science Issues, RCED (202) 512-3841 (for ENV03).

Recommendations With Which GAO Agrees

None.

Recommendations With Which GAO Generally Agrees

ENV01: Improve Federal Decisionmaking Through Environmental Cost Accounting

Develop demonstration projects to test the applicability of environmental cost accounting. Based on project results, develop guidelines to implement environmental cost accounting throughout the Federal Government. Issue an Executive Order to encourage the use of environmental cost accounting by federal agencies.

GAO Comments

We concur that environmental cost accounting has merit and could help federal agencies conduct their operations in a more environmentally sound manner. We have related work on environmental auditing at federal agencies under way.

ENV02: Develop Cross-Agency Ecosystem Planning and Management

Issue an Executive Order to encourage sustainable economic development and ensure sustainable ecosystems through a cross-agency ecosystem management process. Begin phased-in implementation of the policy with selected ecosystem management demonstration projects. Conduct management and budget reviews of the ecosystem management projects as a part of the fiscal year 1995 budget process.

GAO Comments

We have ongoing work that addresses this issue. On the basis of the work conducted to date, it appears that ecosystem management has the potential for protecting biological diversity and sustaining long-term economic development.

ENV03: Increase Energy and Water Efficiency

Issue an Executive Order to address energy efficiency and water conservation issues at federal facilities. Propose legislation to allow the Defense Department to retain savings from water efficiency projects. Develop appropriate mechanisms to allow facilities to retain rebates received from utility companies.

GAO Comments

We generally support efforts to increase the efficiency with which federal facilities use energy and water. Our completed and ongoing work shows that federal agencies should place greater emphasis on these efforts, perhaps in response to an updated executive order on this subject. We see merit in legislation that would provide the Department of Defense with incentives to pursue water efficiency projects—for example, allowing the Department to retain the savings that result from such projects if the funds are used for additional conservation projects. We would also support efforts by all agencies to develop mechanisms that would enable them to retain rebate funds from utilities, as authorized by recent legislation.

ENV04: Increase Environmentally and Economically Beneficial Landscaping

Issue an Executive Order to require the use of environmentally beneficial landscaping techniques, including increased use of native species and reduced use of water and chemicals, at federal facilities and federally-funded projects, where appropriate.

GAO Comments

We support efforts to increase environmentally and economically beneficial practices at federal facilities. The increased use of native species and the reduced use of water and chemicals at federal facilities should help meet this goal.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

None.

Related GAO Products

Barriers to Installing Energy-Efficient Lighting in Federal Buildings (GAO/T-GGD-90-54, July 11, 1990) relates to ENV03.

Improving Regulatory Systems (REG)

Overall Summary

Although we have not analyzed Federal regulatory systems in general, we have reported on a number of individual regulatory systems in the context of particular programs or agencies. For example, we reported that improvements are needed in the regulatory structure governing the banking and thrift industries because this structure has not kept pace with today's highly competitive and complex environment. We reported that bank and thrift examinations conducted by Federal regulatory agencies were too limited to fully identify and determine the extent of deficiencies affecting bank and thrift safety and soundness. These limitations impeded early warning of bank and thrift weaknesses and reduced the opportunity for taking corrective action and minimizing losses to the insurance funds. We also believe that federal regulatory agencies should assess the extent of regulatory burden on financial institutions and determine ways to reduce this burden that would not adversely affect safety and soundness and consumer protection requirements.

Based on our completed work, we agree with the overall objectives and intent of the NPR recommendations in this area to: develop innovative regulatory approaches, anticipate regulatory problems, share information among regulatory agencies and coordinate regulatory approaches, encourage public participation and consensus-building during the regulatory process, streamline rulemaking procedures, improve the use of scientific information and judgments by regulatory agencies, provide better training to regulatory officials, and improve relationships between regulatory agencies and Congress. However, we have insufficient information to comment more specifically on most of NPR's recommendations.

GAO Contact

William M. Hunt, Director, Federal Management Issues, General Government Issues, (202) 512-8676.

Recommendations With Which GAO Agrees

None.

Recommendations With Which GAO Generally Agrees

REG02: Encourage More Innovative Approaches to Regulation
Use innovative regulatory approaches and develop a Deskbook on Regulatory Design.

GAO Comments

We generally agree on the need for more innovation in regulatory approaches. For example, states have used innovative measures related to long-term care in an effort to provide services within the constraints of regulatory burdens. Lessons learned from states and other countries may help the government change from process-oriented regulations to performance goals and outcomes, with more state and local latitude for determining how best to serve people requiring long-term care. A deskbook on regulatory design could draw from the experiences of all regulatory agencies at the federal and state levels and promote best practices.

REG07: Rank Risks and Engage in "Anticipatory" Regulatory Planning

Rank the seriousness of environmental, health or safety risks and develop anticipatory approaches to regulatory problems.

GAO Comments

We generally agree that regulatory agencies should assess the extent of risks facing the public in determining their regulatory agendas and anticipate future problems. For example, we recommended that the EPA Administrator work with Congress to identify opportunities to shift resources from problems of less severe risk to problems with greater risks. We also recommended that Congress consider incorporating the concept of relative risks to human health and environment in authorizing and appropriating funds for EPA.

REG09: Improve Agency and Congressional Relationships

Encourage agencies to establish technical drafting services for congressional committees and subcommittees.

GAO Comments

Although we have not examined the extent to which Congress needs technical drafting services from agencies, we believe that such services may be useful to Congress in certain circumstances and that agencies should provide such services to Congress upon request.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

REG01: Create an Interagency Regulatory Coordinating Group
Create an interagency Regulatory Coordinating Group to share information and coordinate approaches to regulatory issues.

GAO Comments
We agree with the NPR recommendation's objective of sharing information and coordinating regulatory approaches. However, we cannot evaluate this recommendation until we know the composition of the proposed interagency regulatory coordinating group and its specific responsibilities and authorities as compared with those of the individual regulatory agencies.

REG03: Encourage Consensus-Based Rulemaking
Encourage agencies to use negotiated rulemaking more frequently in developing new rules.

GAO Comments
We agree with the intent of the NPR recommendation to encourage consensus during the rulemaking process. However, the NPR recommendation does not state whether such negotiated rulemaking procedures would be required in certain circumstances or simply permitted at the regulatory agency's discretion. Neither does it make clear how the negotiations will be conducted. Until these and other details of this recommendation are available, we cannot evaluate it.

REG04: Enhance Public Awareness and Participation
Use information technology and other techniques to increase opportunities for early, frequent and interactive public participation during the rulemaking process and to increase program evaluation efforts.

GAO Comments
We agree with the stated objectives of this recommendation, but NPR does not describe the details of how they are to be achieved. For example, the specific means NPR proposes to enhance public participation and program evaluation may interfere with the intent of NPR recommendation REG05

(see below) to streamline agency rulemaking procedures. Until we know these kinds of details, we cannot evaluate this recommendation.

REG05: Streamline Agency Rulemaking Procedures
Streamline internal agency rulemaking procedures, use "direct final" rulemaking for noncontroversial rules and expedite treatment of rulemaking petitions.

GAO Comments
We generally agree with the intent of this recommendation, but we cannot evaluate it without further details about how the procedures would be "streamlined" and whether it would conflict with NPR recommendation REG04 or other recommendations.

REG06: Encourage Alternative Dispute Resolution When Enforcing Regulations
Increase the use of alternative means of dispute resolution.

GAO Comments
We cannot evaluate this recommendation until we know the specific ways in which NPR proposes to "encourage" the use of alternative dispute resolution procedures and what those procedures might be.

REG08: Improve Regulatory Science
Create science advisory boards for those regulatory agencies that depend heavily on scientific information and judgments.

GAO Comments
We agree with the thrust of this recommendation to improve the use of scientific information and judgments, but we cannot evaluate whether science advisory boards are the best means to accomplish that goal until further details are available.

REG10: Provide Better Training and Incentives for Regulators
Establish a basic training program for presidential appointees assigned to regulatory agencies and expand existing training programs to cover career staff not currently being trained.

GAO Comments

We agree that training is an important component of the performance of the federal workforce, including presidential appointees assigned to regulatory agencies. However, we cannot comment on this recommendation until we understand the extent of this problem for federal regulatory agencies.

Additional Areas of GAO Concern

None.

Related GAO Products

Thrift Examination Quality: OTS Examinations Do Not Fully Assess Thrift Safety and Soundness (GAO/AFMD-93-11, Feb. 16, 1993) relates to the overall summary.

Bank Examination Quality: FDIC Examinations Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-12, Feb. 16, 1993) relates to the overall summary.

Bank Examination Quality: FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-13, Feb. 16, 1993) relates to the overall summary.

Bank Examination Quality: OCC Examinations Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-14, Feb. 16, 1993) relates to the overall summary.

Bank and Thrift Regulation: Improvements Needed in Examination Quality and Regulatory Structure (GAO/AFMD-93-15, Feb. 16, 1993) relates to the overall summary.

Bank Insurance Fund (GAO/HR-93-3, Dec. 1992) relates to the overall summary.

Long-Term Care Reform: Rethinking Service Delivery, Accountability, and Cost Control (GAO/HRD-93-1-SP, July 13, 1993) relates to REG02.

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991) relates to REG04 and REG07.

General Services Administration (GSA)

Overall Summary

Our December 1992 transition series report on General Services Issues discussed the need to (1) resolve GSA's conflicting policy and service provider roles, (2) replace outmoded centralized methods of delivering services with new methods based on entrepreneurial and competitive principles, (3) strengthen weak and ineffective internal management systems, and (4) improve GSA's oversight of governmentwide procurement practices. It also pointed out ways to improve congressional oversight of GSA's many activities. Finally, it highlighted structural weaknesses in the way GSA does business that no longer allow it to respond quickly and effectively and the need for a fundamental restructuring of the way federal agencies obtain the general purpose office space, goods, and services they need to support their missions.

As long as GSA depends for survival on its virtual monopoly over the provision of office space, supplies, telecommunications, and computers, it will lack the incentive and pressure to meet the modern standards its customer agencies demand. In calling for an end to GSA's monopoly, separation of its governmentwide policymaking and service provider responsibilities, and creation of a new asset management organization to oversee federal real estate assets, NPR's recommendations echoed our longstanding concerns in these areas. We fully support these concepts, but their actual implementation will require careful study and thought as well as a reexamination of existing congressional funding, budgetary, and authorization processes that could impede their effectiveness.

GAO Contact

J. William Gadsby, Director, Government Business Operations Issues, General Government Division, (202) 512-8387.

Recommendations With Which GAO Agrees

GSA01: Separate Policymaking From Service Delivery and Make the General Services Administration (GSA) a Fully Competitive, Revenue-Based Organization

Fund GSA service delivery from customer revenues, transfer activities not related to GSA's central mission to other agencies, and allow agencies to choose whether to purchase GSA services.

GAO Comments

GAO supports these recommended reforms. To compete with private industry for federal agencies' business, however, GSA must be able to respond quickly and effectively to customer needs and market conditions. In this regard, Congress and the administration need to reexamine and resolve constraints and barriers, such as funding limitations and the real

estate prospectus authorization processes, that would adversely affect GSA's ability to compete.

Recommendations With Which GAO Generally Agrees

None.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

None.

Additional Areas of GAO Concern

Several GSA-related issues are discussed in the Reinventing Federal Procurement (PROC) and Reinventing Support Services (SUP) sections of this report. Also, our transition series report on General Services Issues addresses other GSA-related concerns, such as strengthening internal controls, bolstering congressional oversight, and making GSA more businesslike.

Related GAO Products

General Services Issues (GAO/OCG-93-28TR, Dec. 1992) relates to the overall summary and additional areas of GAO concern.

Federal Real Property: National Performance Review Recommendations (GAO/GGD-93-47, Sept. 21, 1993).

Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27, 1993).

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992).

Real Property Management Issues Facing GSA and Congress (GAO/T-GGD-92-4, Oct. 30, 1991).

GSA: A Central Management Agency Needing Comprehensive Congressional Oversight (GAO/T-GGD-92-3, Oct. 29, 1991).

General Services Administration: Status of Management Improvement Efforts (GAO/GGD-91-59, Apr. 3, 1991).

General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 6, 1989).

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance Its ADP Oversight (GAO/IMTEC-92-7, Oct. 28, 1991).

Office of Personnel Management (OPM)

Overall Summary

Our work has shown that OPM has not provided the leadership necessary to identify and resolve critical human resource problems. Fundamental policy redirections, reorganizations, and decreased resource levels in recent years have left OPM with serious internal difficulties and a diminished capacity to implement its initiatives. Over the years, we have reported to Congress, OPM, and others on a variety of personnel management problems. Many of these problems still exist, and OPM leadership is needed to resolve them.

NPR's recommendations relate to this issue by calling for OPM to exert leadership in addressing federal human resource issues and maintain a customer focus in carrying out its mission. These are laudable objectives, but the report does not indicate how OPM is lacking in these areas or what actions OPM needs to take to accomplish the objectives. We found the three recommendations to be very general and difficult to evaluate because of their lack of specificity. As a result, we were unable to conclusively agree or disagree with any of them.

GAO Contact

Nancy R. Kingsbury, Director, Federal Human Resource Management Issues, General Government Division, (202) 512-5074.

Recommendations With Which GAO Agrees

None.

Recommendations With Which GAO Generally Agrees

OPM01: Strengthen the Office of Personnel Management's (OPM) Leadership Role in Transforming Federal Human Resource Management Systems

Clearly define OPM's policy, service and leadership role in addressing human resource problems and delegate operational work to the agencies.

GAO Comments

Our reports show the need for greater OPM leadership on federal human resource issues. While we agree that operational matters should be delegated to the agencies, when appropriate, we have found that many agencies' personnel management evaluation programs are not sufficient to ensure that their personnel programs operate effectively and in compliance with merit system principles. OPM needs to exert greater leadership in strengthening agency evaluation programs if they are to be relied upon to oversee agency accountability for program management.

Recommendations With Which GAO Disagrees

None.

Recommendations on Which GAO Has Insufficient Information to Judge

OPM02: Redefine and Restructure OPM's Functional Responsibilities to Foster a Customer Orientation Restructure and rightsize OPM to enhance and reflect its commitment to addressing its customers' needs.

GAO Comments
The NPR report gave no indication of the kind of restructuring and rightsizing this recommendation envisions. Thus, we cannot evaluate the recommendation. However, on the basis of a long history of GAO work, we agree that this issue needs attention; OPM needs to work with the agencies in preparing the government to meet future challenges, attack performance improvement issues with more vigor, and ensure more effective oversight of the government's key personnel areas.

OPM03: Change the Culture of OPM to Empower its Staff and Increase its Customer Orientation Use interagency groups to involve OPM's external stakeholders in changing federal human resource systems. Improve OPM's policy-making process through experimental use of negotiated rulemaking ("reg-neg") and broaden the customer focus of OPM and agency personnel specialists.

GAO Comments
We believe it is reasonable to expect OPM to involve all stakeholders in determining how to better serve its customers. However, since we have done no work to identify how this could best be accomplished, we cannot comment further on this recommendation.

Additional Areas of GAO Concern

Several issues discussed in the Reinventing Human Resource Management (HRM) section of this report are also OPM-related areas of concern.

Related GAO Products

Federal Personnel Management: OPM Reliance on Agency Oversight of Personnel System Not Fully Justified (GAO/GGD-93-24, Dec. 8, 1992) relates to OPM01.

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-98-44, Feb. 7, 1990) relates to OPM01, OPM02, and OPM03.

Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989) relates to OPM01, OPM02, and OPM03.

Retrenchment and Redirection at the Office of Personnel Management (GAO/GGD-83-95, Aug. 22, 1983) relates to OPM01, OPM02, and OPM03.

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992) relates to OPM02 and OPM03.

Also see the reports cited under the HRM section of this report.

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